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China Goes Global

How China's Overseas Investment is Transforming its Business Enterprises

Huiyao Wang and Lu Miao

"Chinese business enterprises are 'going global,' greatly expanding the scope of their overseas investment activities in recent years. Wang and Miao insightfully review this key new development in the world economy, drawing upon broad surveys and extensive data to provide a rigorous and broad picture of Chinese business enterprise globalization. These qualities make *China Goes Global* a book of great practical and theoretical significance."

– Long Yongtu, Chief Negotiator, China's Entry to WTO, Former Vice Minister, Ministry of Foreign Economic Cooperation and Trade, Chairman of CCG

"*China Goes Global* is an important book. It draws attention to a new reality that many business people have either missed or underestimated in terms of implications: Chinese outward investment in foreign companies recently exceeded that of foreign investment in China! This book empirically examines Chinese foreign investment that exceeds $100 billion annually. It considers the various models followed, provides examples and rankings, and acknowledges the need for Chinese investors to improve their talent acquisition ability. Another transformation is underway regarding China's place in the global economy. This book helps us better understand it."

– Paul W. Beamish, Canada Research Chair in International Business, Ivey Business School, Western University, Canada

"Well documented and convincingly presented, this book is a must-read for anyone interested in understanding the transformative phenomenon of China's going out strategies and their policy implications."

– Liu Hong, Chair, School of Humanities and Social Sciences, Nanyang Technological University, Singapore

"As China seeks to upgrade its economic growth model by globalizing its business enterprises, we need to examine carefully and sum up the experiences of internationalization success stories that can serve as models to guide Chinese enterprises trying to go global. It is with these aims in mind that Wang and Miao have undertaken this comprehensive research project on the globalization of Chinese business enterprises. This book is very useful for firms intending to go global."

– Cao Dawang, Founder and Chairman, Fuyao Automotive Glass, China

"Huiyao Wang and Lu Miao have made a singular contribution to the study of Chinese globalization. In this well-researched book, the authors examine the background of the globalization of China, including alternative models that have been used by Chinese entrepreneurs and businesses. Dr. Wang and Dr. Miao develop a unique and much-needed ranking system for China global enterprises and recommend a list of top performers. They end the book with a discussion of challenges facing Chinese companies and how business leaders in China might approach these challenges with new, innovative solutions."

– Ilan Alon, Professor of Strategy and International Marketing Editor, *International Journal of Emerging Markets School of Business and Law*, University of Agder, Norway

"Wang and Miao's timely, cutting-edge, and comprehensive study presents models, measurement matrices, theories, and numerous cases studies of China's overseas direct investment. This book is a must-read for anyone wanting to understand China's potential impact on the global economy in the coming decades."

– David Zweig, Chair Professor, Division of Social Science, and Director, Center on China's Transnational Relations, Hong Kong University of Science and Technology

"This timely book aptly sums up the important watershed we have just witnessed: China's outbound direct investment has surpassed inbound direct investment, and the IMF approved the yuan's inclusion into its basket of reserve currency. Dr. Wang and Dr. Miao have done a great service for the dynamic research on Chinese companies' going global by providing a wealth of case studies and the Top 50 list in this book. We look forward to annual supplements tracking the development of those top fifty companies, and the emergence of new ones, as China's overseas activities become an integrated and routine part of global economic growth."

– Julian Chang, Founding President, Chinese Globalization Association Dean, Aitia Institute, IMC Group

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China Goes Global

How China's Overseas Investment is Transforming its Business Enterprises

Huiyao Wang and Lu Miao
Center for China and Globalization, Beijing, China

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CHINA GOES GLOBAL: HOW CHINA'S OVERSEAS INVESTMENT IS TRANSFORMING ITS BUSINESS ENTERPRISES

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Foreword: Upgrading Chinese Business Enterprise Globalization

Since the Reform and Opening Up policy, China's economy has undergone 36 years of extraordinary growth. Economic globalization and the rising competitive strength of China's economy have played a particularly important role in spurring Chinese companies to expand their foreign direct investment (FDI) and accelerate their transformation into global firms. Since China joined the WTO in 2001, the average annual growth rate of FDI has been as high as 36.5%. In 2013, China's FDI topped 100 billion Yuan for the first time. As of July 31, 2014, the total stock of Chinese FDI amounted to $713 billion. In every area – scale, scope, form, and diversity – China's FDI has made significant progress.

The FDI activity of Chinese enterprises has been referred to as their "Going Global" strategy. China now sees global economic development as an integral part of transforming and upgrading its economy. This strategy will enable China to expand its room for development in a globalized world, improve the level of international competitiveness, and promote sustainable economic growth. Implementing the "Going Global" strategy will not just help develop new international markets and expand exports for Chinese firms but also boost the international profile and influence of those companies. That, in turn, will lead more Chinese enterprises to participate in international economic cooperation at a deeper level.

In the past, the internationalization of Chinese enterprises occurred mainly through the introduction of foreign investment in China. Such investment forced Chinese domestic firms to compete with non-Chinese companies in China's domestic market, forcing them to improve their competitiveness vis-à-vis these foreign rivals, thereby serving as an important first step in successfully operating on the international market. Now China's enterprises are starting to "Go Global". By investing directly abroad, Chinese firms are actively restructuring the overseas market to fully exploit and utilize global resources and markets. In so doing, these companies have become more and more globalized in their operations. We are pleased to see that through finely honing their practices in this area, a growing number of Chinese companies have been able to integrate global resources with a global perspective.

Some are now even involved in leading the global value chain and have gradually developed into highly competitive multinational enterprises with strong core competencies and other strengths. Creating and developing more such companies will greatly deepen China's participation in economic globalization and make its economy an integral part of this worldwide process.

In short, accelerating the pace of Chinese enterprises "Going Global" is not just an inevitable trend in the general development of economic globalization; it is also necessary for the development of China's economy at this point in time. Vigorously promoting the greater involvement of Chinese enterprises in the foreign investment process is a task that cannot be delayed.

The Third Plenary Session of the 18th Central Committee of the Communist Party of China (CPC) strongly endorsed this view, calling upon "Enterprises and individuals to directly invest abroad." The statement added, "Enterprises and individuals are permitted to develop overseas investment based on their own advantages. They are allowed to take risks in all the countries and regions to develop engineering or labor cooperation projects. And they can use innovative methods to undertake overseas expansion involving Greenfield investment, mergers and acquisitions, securities investment, joint venture investments, and the like."

This declaration has cleared the way for Chinese companies and individuals to go global and develop and expand FDI. In addition, the National Development and Reform Commission, the Ministry of Commerce, and other key Central Government Ministries have issued relevant policies to encourage FDI. China is thus now beginning to experience the rapid growth of its FDI, which will usher in new development opportunities. Against the backdrop of a slowly recovering global economy, new modes of technical cooperation and industry transfer are brewing, and countries around the world have high expectations for capital inflows from China. With nearly $4 trillion in foreign exchange reserves, China currently has a great opportunity to develop FDI, both as a way of conforming to the objective laws of economic development and to meet the needs of its domestic economy and the world economy. The convening of the Third Plenary Session of the 18th Central Committee of the CPC has thus embraced the idea that the expanding FDI activity of Chinese firms is opening up a new era for China, particularly its place in the accelerating trend of economic globalization.

But, compared with Western developed countries, China's FDI stock is still relatively low. As an economic superpower with more than one-fifth of the global population, 10% of the global GDP, and 15% of FDI inflows, Chinese FDI stock now only accounts for 2.4% of the world's total FDI stock. All of the world's global economic superpowers are well-known for being FDI giants. Thus, despite being the second-largest economy in the world, China's FDI stock is not yet commensurate with its new-found global economic status. Given this disjuncture, we should study harder the successful experiences of other countries in undertaking FDI to carry out effective multilateral cooperation with different actors when dealing with various issues. This will provide a vital reference point for Chinese enterprises as they seek to go global. More importantly, China's government must accelerate the implementation of foreign investment legislation and multilateral investment agreements to provide protection and support for the outward expansion of Chinese enterprises. Research institutes and think tanks need to do deeper research on FDI to provide intellectual support for companies going global. There is no doubt that by stepping up their FDI activities, Chinese firms can further enhance their international competitiveness and become more globalized. However, doing this will require greater effort from China's government and more multilateral cooperation.

Studying the issues related to FDI is of great significance to the globalization of Chinese enterprises. The Chinese International Economic Cooperation Society and the Center for China & Globalization (CCG) have gathered experts and scholars, as well as prominent entrepreneurs, heads of major companies, and other business movers and shakers, both at home and abroad, in the field of transnational investment. These individuals combine cutting-edge thinking, rich knowledge, and vast practical experience regarding the efforts of Chinese firms to expand outward in the context of an increasingly globalized world economy. Drawing upon a large sample of interesting and significant case studies, the group undertook systematic research regarding worldwide FDI in order to solve the major practical problems Chinese firms face in going global. This book grew out of those efforts.

China Goes Global includes a large number of surveys and is supported by extensive data to provide a rigorous, systematic, and comprehensive picture of the current situation in Chinese enterprise globalization. In particular, it analyzes the problems and risks confronting Chinese firms in going global and reviews success stories to provide good suggestions for devising effective FDI strategies. This book is therefore clearly very useful for firms seeking to navigate their way through the current complex international economic and trade environment. It will help these companies avoid various risks associated with undertaking FDI in overseas countries by offering specific advice on how to better participate in international competition abroad. For this reason, the book has crucial theoretical and scholarly, as well as practical, significance.

On the basis of a large number of case studies, the book also provides a rigorous system for evaluating the internationalization efforts of Chinese enterprises. This yardstick is based on their use of overseas talent, markets, social responsibility, industry chain management, and cross-border merger and acquisition activity. The evaluation system also uses popular international indices such as assets and performance. The evaluation system of Chinese enterprise internationalization is very scientific and highly innovative, fully reflecting the degree to which a firm has effectively internationalized while conducting FDI, and the overall quality of its efforts in this area. The evaluation system was used to determine the top 50 Chinese companies going global. These firms serve as role models in effective internationalization and provide an important reference point for other Chinese firms in expanding overseas. At the same time, those involved in this report selected the top 50 new Chinese enterprises undertaking globalization. This ranking is designed to encourage other smaller firms with limited experience in expanding overseas to go global.

The current international political and economic situation is certainly very complicated and unstable, and this makes the globalization of business firms a complex and difficult undertaking. Even some very well-known experts and scholars are sometimes unable to accurately predict its outcome. For that reason, the indices of the evaluation system for China's enterprise internationalization in this report will be constantly updated and improved over time. We thus hope that people from all walks of life, especially entrepreneurs with practical experience in doing business on the global market, can put forward their own valuable input regarding our ongoing work on the globalization of Chinese business enterprises.

Yutong Long
Chairman, Center for China & Globalization (CCG)
Strategic Advisory Board and former chief negotiator for
China's entry into the WTO

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Chinese enterprises going global is the latest and most fascinating Chinese interaction with the rest of the world. In writing a book on a complex and challenging subject like Chinese outbound foreign direct investment, we have been helped by a number of people without whom this book would not have been completed so smoothly. First, we wish to express our gratitude to the Chairman of the Center for China and Globalization (CCG), Yutong Long, who was chief negotiator for China joining the WTO and former Vice Minister of trade in China. Long gave extensive guidance as we progressed with our research. We would also like to thank Cao Dewang, CCG Vice Chairman and Chairman of Fuyao Glass in China, for his generous support of this research project. Fuyao is one of the largest autoglass makers in the world, and Mr. Cao knows the importance of *China Goes Global*. We are also thankful to CCG Co-Chair Ronnie Chan for his broad vision and global view on many subjects he discussed with us. We also thank CCG strategic advisory board members and academic advisory committee members for their support and help.

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Wang has been a senior advisor to the Chinese government, international organizations, and global institutions. He used to work for the Chinese Ministry of Foreign Trade and Economic Cooperation on Chinese firms going global. He was also Task Force Leader for the Global Talents Strategy Study Group for the Central Government of China, and served as an expert for the drafting of the China Mid- to Long-term National Talent Development Plan 2010–2020.

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Scholarly Context of This Book

Chinese business enterprises are going global. By doing so, they are reinventing China economically once again, transforming the country from being merely a platform for exporting low-grade manufactured goods such as textiles and apparel into a major force for overseas investment. The rise of China, along with its emerging economy counterparts Brazil and India as major sources of overseas investment, is arguably the biggest unfolding business story today. According to Goldman Sachs, these three emerging giants will account for half of all global business activity by 2050.[1]

The rapid growth of Chinese overseas investment activity, which has included direct investment and numerous mergers and acquisitions, many of them of a very high-profile nature, has created a scholarly cottage industry. This opening chapter first reviews the arguments within that industry regarding the sources, individual business strategies, and targets of Chinese outbound investment. It then situates *China Goes Global* within the context of this work, setting forth how it provides a new and unique angle on Chinese business enterprise globalization. This includes setting out an evaluation ranking, based on systematic criteria, that gauges the globalization of Chinese companies. In so doing, it outlines existing patterns and emerging trends with respect to leaders among Chinese companies going global. In this and other respects, *China Goes Global* provides a comprehensive report card on the outbound investment of Chinese firms. This report card identifies both the progress and problems that characterize such activity. In dealing with the latter issues, the book offers a range of useful policy suggestions. Last, *China Goes Global* provides the most up-to-date book-length analysis of Chinese Government policies on business enterprise globalization, including a detailed discussion of the massive new "One

Belt, One Road" initiative on China's overseas investment. This chapter concludes with a brief overview of the rest of the book.

The secondary literature on Chinese outbound investment and this book

Chinese outbound direct investment: causes and business firm strategies

Older theories of overseas direct investment (ODI) emphasize three main motivations driving such activity within companies. These are for foreign direct investment (FDI) to expand a firm's markets, boost its efficiency, or acquire resources.[2] The last factor clearly dovetails with China's "going out" strategy for ensuring natural resource security, especially with regard to energy. That strategy has fueled extensive FDI activity on the part of large Chinese state-owned resource enterprises in Africa, Latin America, the Middle East, and parts of Asia. Such firms are also prominent in our list of leading established globalizing Chinese companies. However, long-standing explanations of FDI have largely been formulated based on the experiences of advanced economies, which may limit their explanatory power with respect to emerging economies, like that of China.

Scholars have thus put forward a number of other potential factors driving Chinese overseas investment. One is capital market imperfections in China. In this explanation, these imperfections, which make capital available to certain firms at below-market rates for considerable periods of time, create a semipermanent disequilibrium in the capital market that outward investors can exploit. This factor, along with other imperfections in the Chinese economic system, is prominently cited by Huang Yasheng in one of the first, few book-length studies on rising FDI from China.[3] China's flawed capital markets are also emphasized by P. J. Buckley and other scholars as a main force driving Chinese outward FDI.[4]

Such scholars are right to note that Chinese capital markets do not function properly. In particular, these markets channel money at below-market rates to state-owned enterprises, which enjoy privileged access to cheap bank loans and financing at the expense of private firms.[5] As the disequilibrium in the capital market created by such practices largely benefits state-owned enterprises, these companies ought to, according to this theory, dominate Chinese ODI. This was certainly the case when China began investing heavily overseas and such firms, particularly ones involved in resource extraction and infrastructure building, are still prominent in the mix of Chinese companies going global. But our findings point to the rising prominence of private companies in the globalization of China's business enterprises. These include not just light manufacturing, but also makers of high tech products, Internet firms, and financial and real estate companies.

This trend also points to the limits of another older theory of FDI tailored to China and other emerging economies. This view focuses on the impact of state institutions and the regulatory environment in hindering or promoting Chinese ODI. As recently as 2002, such policies were seen in the scholarly literature as hindering Chinese outward investment.[6] *China Goes Global* details how this has changed dramatically over the past decade and a half, during which the Chinese Government moved to actively encourage Chinese businesses to expand abroad. This shift matters a great deal, as Buckley (et al.) has argued that specific regulatory policies introduced by home country governments will encourage firms to go global, provided the policies are straightforward and supportive.[7] This framework has been applied to empirical studies of China, including comparisons between it and other emerging economies. In the case of China, such work emphasizes the role of the state by pointing to the expansion activities of state-owned enterprises. Using a firm-level Chinese dataset, a 2012 study done by Wang et al. found that firms with high state ownership were more likely to expand overseas. That claim is echoed in a number of other recent articles done on Chinese ODI.[8] However, such studies shed limited light on private Chinese firms, which are less tightly tied to the government, investing overseas. Although such activity on their part has certainly been facilitated by the loosening of state regulations on ODI, something which is explored at length in this book, their going global is also surely driven by other factors.

This book therefore not only charts the shifting state institutional context of Chinese outbound investment but also, as is the case with a growing body of scholarly work, examines this phenomenon at the individual firm level. One such explanation within the existing scholarly literature on China's outbound investment stresses the ownership advantage of Chinese multinational companies, at least when investing in other emerging economies. This view argues that, when operating in such a context, Chinese firms can economize on the use of capital or resources, while maximizing their benefits, with these gains stemming from their "home country embeddedness," or the greater familiarity of doing business in an emerging economy market context like that of

China. Such work further emphasizes how these companies can leverage their relational assets when going global.[9] This view suggests that Chinese outbound investment should flow mainly to other emerging economies or countries where Chinese firms might have strong connections and networks, such as neighboring ones in Asia. However, much of this work was published in 2007 or earlier, and Chinese outbound investment has undergone considerable change since then. The findings of this book show that, although such places remain important receptacles of Chinese ODI, more and more Chinese firms are going global to North America and Europe, where they do not accrue the advantages of "home country embeddedness" or relational assets.

A more relevant argument to current Chinese ODI activity stresses the role of "asset augmentation" in the decision of firms to engage in FDI and their mode or strategy for doing so. As applied to companies doing ODI from China, studies using this approach have noted that Chinese firms often seek to acquire firm-specific strategic assets, including R&D facilities, particular technologies or brands, distribution networks, and managerial competencies. In this view, Chinese FDI decisions and modes stem from the lack of ownership- or firm-specific assets on the part of companies. Work done under the "asset augmentation framework" also suggests that Chinese FDI differs with respect to developed and less developed countries. In the case of OECD countries, their comparative advantage in services, stemming from the more advanced nature of that sector, is associated with increased levels of Chinese FDI (a greater comparative advantage leads to greater FDI). But in non-OECD economies, the opposite relationship prevails, even among those with relatively advanced service sectors. This finding points to the continuing strong role of resource acquisition as a motivation for Chinese ODI in such countries.[10]

The arguments and findings from this perspective on Chinese outbound direct foreign investment dovetail with the newer and more up-to-date empirical results of this book. For example, we show that Chinese firms undertaking cross-border mergers and acquisitions in the U.S. are now heavily targeting American high-tech firms, with the objective of gaining access to their more advanced products and know-how in this sector. Our findings also suggest that other firm-level motivations are driving the decisions of Chinese companies to go global and their modes of doing so. One particularly important trend we find is the desire of these business enterprises to obtain greater integration and control over their supply and value chains. The focus in this book on the diversity of micro firm-level and macro-institutional factors driving FDI from China is in line with the recent systematic large-scale survey done by Wei and others of globalizing Chinese private enterprises. Their multidimensional analysis found that the decisions of these firms to invest overseas was affected by productivity, technology-based capability, export experience, industry entry barriers, subnational institutions, and intermediary institutional backing.[11]

Like the work on the sources of China's ODI, the scholarly literature analyzing the FDI modes and operation of Chinese companies has done so from an increasingly diverse set of angles. In addition to looking at this issue from the perspective of asset augmentation, such work has explored the effect of horizontal versus vertical linkages within globalizing firms, and the impact that has on whether they undergo asset-as opposed to market-seeking internationalization. Other studies have examined the autonomy of subsidiaries of Chinese multinational companies in Germany, and the vertical linkages established by such firms with local companies in Vietnam.[12]

This book aims to make its own contribution in this area by setting out ten strategies for Chinese firms going global. These are based on the globalizing experiences of a number of well-known flagship Chinese companies, which includes private firms, state-owned enterprises, and less well-known but emerging globalizing firms. The strategies and representative major firms are as follows:

- Establishing manufacturing operations overseas, or FDI (Haier);
- Moving from rural to urban, and less developed to developed markets (Huawei);
- Acquiring technological and name brand assets through overseas mergers and acquisitions (Lenovo);
- Setting up joint ventures (TCL);
- Natural resources acquisition (China National Offshore Oil Corporation [CNOOC]);
- Strategic equity participation, or sovereign wealth funds (China Investment Corporation [CIC]);
- Obtaining support from overseas Chinese (Kangnai Shoes);
- Overseas listing/global IPO (various major Chinese firms);
- Set up overseas R&D centers (Vipship);
- Overseas contract and labor cooperation (large Chinese infrastructure construction state-owned enterprises).

To be sure, a number of the above strategies, such as FDI, technological and resources acquisitions, and establishing joint ventures, are tried and true methods long used by businesses in expanding overseas. Our discussion, however, shows how Chinese firms have adapted these strategies to fit their own unique needs and particular circumstances. In addition, we set forth a number of other more novel and peculiarly Chinese modes of going global. These include the move from rural to urban, and from less developed to developed economies; strategic equity participation; use of overseas Chinese; and overseas contract and labor cooperation modes of going global.

Our work thus broadens the current understanding of those strategies by Chinese firms are using to go global, as well as providing comprehensive and recent empirical information on the nature and trends of this activity. This information has a bearing not only on the existing literature on the factors motivating Chinese ODI, but also on its targets.

Chinese outbound direct investment: location

In explaining the location of FDI, the existing scholarly work stresses changes in exchange rates, levels of inflation, as well as taxes, and the legal environment in potential host countries. Another key factor noted in this work is market size or potential in countries targeted for FDI.[13]

As is the case with the argument concerning businesses enterprises from China that are investing overseas, the existing work on Chinese ODI has noted its special characteristics with respect to location. This is emphasized in the earlier work done by Buckley (et al.)[14] on FDI by Chinese business enterprises. Using official Chinese data collected from 1984 to 2001, they found that Chinese ODI differed with respect to location characteristics over the two periods – 1984–1991 and 1992–2001. From 1984 to 1991 they found Chinese outward FDI location was determined by the market size of potential host countries and their geographic proximity to China. In the second period, FDI location was most strongly influenced by the natural resource endowment of potential host countries. They also found that all through 1984–2001, the location choices of Chinese FDI were associated with higher levels of political risk and cultural proximity to China. The former and, to a lesser extent, latter location characteristic set distinguishes China from advanced economies with respect to FDI. Among developed countries, ODI is driven by R&D and advertising, factors that, according to the more recent study by Wang (et al.), have little influence on Chinese ODI.[15]

More recent work on the location of Chinese FDI has stressed differences with respect to developed and less developed host countries. Huang and Wang showed that although international competitiveness is the main factor luring Chinese firms to invest in advanced economies, the firms were largely attracted to less developed countries by resource endowments. Another relatively recent study done by Zhang and Daley found that Chinese ODI often flows to economies importing large amounts of goods from China and with a high GDP per capita and rapid GDP growth rate.[16]

In sum, then, according to the existing work on Chinese ODI, this activity can be divided into three categories with respect to location. The first group consists of countries with large and sophisticated consumer markets that are also marked by high levels of technology and innovation. The second are countries well-endowed with natural resources. The third are countries with strong sociocultural ties to China.

Our findings somewhat support and modify this picture regarding the location of China's FDI. Neighboring countries in Asia with strong sociocultural ties to China continue to be an important receptacle of Chinese FDI natural resource endowments and matter greatly in determining location choices for Chinese ODI, at least for large state-owned enterprises involved in extracting energy and other natural resources. However, Chinese companies are increasingly targeting more advanced economies when going global. Their investment activity is rising, not only in traditionally preferred destinations such as the United States and Canada, but also in Europe, especially Germany, where China is now the largest direct foreign investor.

Moreover, the empirical survey of Chinese FDI undertaken in this book shows that the location categories outlined above cannot be seen as neat and separate boxes. Instead they overlap, with this being particularly true of the first and second groups of targets for Chinese ODI. In their quest to obtain greater access to sources of petroleum outside of China, Chinese state-owned energy enterprises have recently sought to acquire oil and gas producers in developed countries. Indeed, the biggest cross-border merger and acquisition undertaken by a Chinese company in the time frame studied here was the $15.1 billion purchase of the Canadian oil and gas firm Nexen by China National Offshore Oil Corporation (CNOOC) in 2013. And much of the considerable Chinese ODI flowing to Australia, another advanced economy well endowed with natural resources, has been targeted at its large deposits of iron ore, gold, and coal.[17]

Thus the comprehensive and detailed review of Chinese FDI presented in this book substantially augments the large body of empirical work done up to now on the location of ODI flowing from China. In particular, it underscores the complexity and shifting nature of the targets for China's ODI, which have accompanied the rapid growth and acceleration of this activity in recent years. In this way, *China Goes Global* enriches the literature, not only on the motivations behind Chinese FDI, but also the places it flows to.

Unique features of this study of Chinese foreign direct investment

As the previous discussion has made clear, *China Goes Global* provides an exhaustive investigation that presents highly up-to-date information on China's FDI and the accelerating globalization of its business enterprises. Its overarching scope greatly exceeds that of journal articles published on this matter. At the same time, compared to the limited number of books on the subject, the latest of which was published in 2012,[18] it offers the most recent empirical look at this key phenomenon emerging in today's globalized world economy.

This book, however, also stands out from existing work on China's ODI and business enterprise globalization in its efforts to determine the leading companies and role models among those Chinese companies going global. In carrying out this task, we have devised a novel evaluation system for gauging business enterprise globalization. This system not only examines the usual yardsticks for measuring the globalization of firms – overseas investments and subsidiaries and dependence on foreign revenue sources – but incorporates other overlooked indices. These include the integration of foreign talent into the management structure of companies and their corporate social responsibility (CSR) efforts.

We employ an evaluation system to establish rankings of Chinese companies with respect to globalization, devising a number of "top" lists. The first list consists of the top 50 established globalized Chinese business enterprises. We also present a ranking of the top 50 emerging, or up-and-coming, globalizing firms. Our other "top 50" list is of the 50 largest overseas listings by Chinese firms on overseas stock exchanges. Although most of this activity occurred on the Hong Kong Stock Exchange, a number of Chinese firms are undertaking high-profile listings on the New York Stock Exchange and NASDAQ. These include not only online retailer and web portal Alibaba, whose $25 billion dollar IPO set a world record when it listed on the New York Stock Exchange,[19] but also a growing number of smaller, less well-known, but highly successful emerging Internet firms who have been listed on NASDAQ. In addition, we present a top 10 list of Chinese globalizing firms with respect to mergers and acquisitions and overall globalization performance.

These lists, especially the top 50 rankings of established and emerging globalizing business enterprises, shed an interesting light on the changing leadership ranks of Chinese firms investing abroad. Among the top 50 established globalizing Chinese companies, state-owned enterprises predominate, particularly ones involved in energy and resource extraction, transportation and infrastructure building. In contrast, the top 50 list of emerging globalizing companies consists mainly of private firms engaged in light manufacturing, high technology, the new Internet economy, property, and finance. This chapter sheds light on these crucial firms by providing detailed capsule case studies of the key globalization efforts undertaken by them. Our work therefore points to an incipient rebalancing at the spearhead of those firms driving the push to globalize Chinese business enterprises.

These rankings underscore how this book, in contrast to existing work on Chinese business enterprise globalization, provides a report of this ongoing process. In addition to noting the considerable progress that has been made in this area, we also review the problems faced by Chinese companies going global. Indeed, according to a widely reported 2014 assessment of the former Chairman of the Board of the China Investment Corporation, China's Foreign Wealth Fund, 70% of Chinese overseas investments have been "unsuccessful."[20] We provide a detailed analysis of the sources of such failure, focusing on inadequate risk assessment and the inability of Chinese firms to properly use foreign or foreign-trained Chinese talent in the management of FDI. We then offer practical solutions on the part of both individual businesses and the Chinese Government for overcoming these problems.

Last but not least, this book provides the first detailed assessment of the "One Belt, One Road" initiative on Chinese business enterprise globalization. This huge project, which will involve massive investment in sea- and land-based transportation around and across Eurasia, was initially proposed by President Xi Jinping during a September 2013 visit to Central Asia and received formal approval in January 2015.[21] "One Belt, One Road" and associated moves, particularly the creation of the Asia Infrastructure Investment Bank, will vastly expand the scope and opportunities for Chinese firms to directly invest overseas. We offer the first systematic analysis of the One Belt, One Road initiative, including its overall impact and which firms going global will benefit most from it. In this respect, *China Goes Global* provides the first word on what promises to be an exciting new chapter in the unfolding saga of Chinese business enterprise globalization and outward direct investment.

Plan of this book

The remainder of this book consists of the following seven chapters. Chapter 2 first outlines the broad characteristics, trends, and shifts in Chinese outbound investment. It then broadly introduces the ongoing problems of Chinese firms going global, and sets forth possible Chinese Government measures for assisting companies in overcoming these difficulties. Chapter 3 details the ten strategies and then looks at leading Chinese companies going global as noted earlier. Chapter 4 outlines the evaluation system for ranking Chinese firms with respect to globalization. Chapter 5 sets forth the various rankings of these companies and the capsule case studies of the top 50 emerging globalizing Chinese firms. Chapter 6 focuses on the human resource and talent aspects of Chinese business enterprise globalization, reviewing the challenges and difficulties that continue to plague companies in this area. Chapter 7 provides a more detailed and specific focus on Chinese ODI, reviewing its nature across various industries and regions around the world. In doing this, it sets forth the opinions of various experts regarding the challenges Chinese firms face in these sectors and areas. The book concludes with a discussion of the One Belt, One Road initiative and Chinese ODI in Chapter 8.

2
Overview of Chinese Enterprise Globalization

Background

The development of global foreign direct investment (FDI)

Economic globalization is the inevitable outgrowth of the socialization of production. This process has gone through three big stages since the Age of Discovery in the late 15th century. The first stage was the era of mercantile capitalism preceding the Industrial Revolution. The second phase of globalization occurred during the Industrial Revolution, when a vertical worldwide division of labor took form. In the third phase of globalization, which is unfolding in the present-day world economy, the earlier vertical international division of labor has given way to a horizontal division of labor. One salient feature of this third stage is the globalization of capital. Foreign Direct Investment (FDI) is one of the main forms of this phenomenon.

According to the definition put forward by the International Monetary Fund (IMF), FDI basically involves direct control over investment. This occurs when foreign individuals or legal business entities assume management control over whatever economic activity is related to their FDI activity. This can take several forms, including establishing factories overseas that remain under the direct supervision of the company undertaking the FDI, setting up of subordinate foreign subsidiary firms, or buying or acquiring a dominant stake in foreign enterprises. FDI usually occurs in sectors such as manufacturing and resources extraction.

The post–World War II development of FDI can be divided into three stages. The first stage lasted from 1946 to 1970, during which time developing countries began to shift from simply being FDI targets. In this period, emerging economies such as India and South Korea started to become sources of FDI. During the second phase in the development of post–World War II FDI, which lasted from 1971 to 1990, the traditional developed economy sources of such investment, like Britain and the United States, became major host countries for FDI inflows. At the same time, FDI activity on the part of developing countries accelerated significantly. In the most recent post-1990 stage of FDI, countries that had earlier not been heavy overseas investors became a major force in FDI. These new players included Russia, Singapore, and above all China, and their investments have become increasingly diversified. After the start of the 21st century, the scale of FDI worldwide has increased very quickly, with the flow of capital taking on a bidirectional character. Developing countries have become increasingly active in FDI, with cross-border Mergers and Acquisitions (M&A) and Greenfield Investment[1] becoming their main forms of overseas investment.

The development of China's FDI

The globalization of Chinese business enterprises occurred several centuries later than that of businesses in developed economies. From the founding of New China to the Reform and Opening Up period, under China's highly centralized planned economy, international economic cooperation mainly occurred through foreign trade and development aid to other countries. Thanks to the growth of foreign aid, China performed some overseas contracted engineering projects during this period. But due to the influence of the extremely "leftish" political ideology in the country, the development of its overseas contracted projects and labor service cooperation was very limited.[2] The real globalization of Chinese enterprises, in which these firms began to integrate themselves into the global economy, got underway at the start of the Reform and Opening Up Policy and has now undergone the following four stages of development:

The first stage: start-up (1979–1991)

During this period, China remained short of funds for investing overseas. At the same time, with demand booming in the domestic market, Chinese companies did not feel any need to invest outward.[3] Moreover, due to the shortage of domestic capital, China had limited foreign exchange reserves. Thus, just a small handful of Chinese firms were engaged in ODI, and the scale of this activity was also small. The annual outflow of FDI from China during this period averaged less than $200 million.[4] This figure was exceeded only in 1987, 1988, and 1989, when FDI from China amounted to $1.8 billion, $1.9 billion, and $2.2 billion, respectively. Throughout these years, most of Chinese FDI came from state-owned foreign trade companies, financial institutions, and engineering firms. This FDI activity sought to expand foreign trade and was concentrated in the processing and manufacturing industries, commerce, catering services, and resource development.[5] As for the mode of Chinese FDI during this time, it was initially done mainly in Hong Kong by setting up trade windows and networks, which were then gradually developed in full-fledged trade representative offices. China National Chemicals Import and Export Corporation (SINOCHEM Group) and China National Metals & Minerals Import and Export Corporation (China Minmentals Corporation) were active overseas direct investment (ODI) enterprises during the initial stage of Chinese overseas investment.[6]

Up to the late 1980s, Chinese enterprises had set up many kinds of joint ventures abroad.[7] Before 1982, FDI approval was managed by the State Council. In the same year, the former Ministry of Foreign Trade and Economic Cooperation (MFTEC) was established and made responsible for the approval and management of FDI. Afterward, MFTEC, the State Administration of Foreign Exchange and former National Planning Commission issued relevant regulations on FDI and foreign exchange.

During this period, the outcomes of FDI projects were not obvious; rather they were hard to anticipate, with some even reporting losses. At the same time, relations between the main Western countries and China were not on normal footing. For these two reasons, in 1991, the former State Development Planning Commission submitted the *Suggestions on Strengthening Overseas Investment Project Management* to the State Council, which noted that "China does not yet have the ability to do large-scale overseas investment. We should invest overseas mainly based on our needs. Enterprises that have the ability can engage in some overseas investment that is advantageous to the output of products, technology, equipment, services, and has obvious economic benefits." In March 1991, the State Council approved this opinion. Before the new opinion on the FDI was issued in 2004, the views of the State Development Planning Commission had the greatest influence over Chinese overseas investment policy. By 1992, the FDI activity of Chinese enterprises had thus entered a stage of adjustment.

The second stage: adjustment and anticipation (1992–2001)

During this stage, China's economy maintained a fast growth rate, leading to the rapid development and vitality of private enterprise in the country. Moreover, with the accelerating reform of state-owned enterprises (SOEs), a number of these firms were successfully listed in capital markets both at home and abroad through reorganizing and restructuring, significantly improving their corporate governance and financing. The scale of FDI, however, underwent a big drop during the 1990s compared to the 1980s, due to the overheating of the Chinese domestic economy brought on by expansionary policies, as well as the 1997–1998 Asian financial crisis and other factors. In 1992, the outflow of Chinese FDI was $195 million, which was slightly below its 1980s average. After bottoming out at $77 million in 1994, outflows of FDI from China began growing again, reaching $551 million and $708 million in 2000 and 2001, respectively.[8] During this period, the main body of FDI gradually shifted from engineering and foreign trade companies to large industrial and commercial enterprises. In addition to the state-owned enterprises, share-holding enterprises and private firms also got into the FDI game.

With respect to specific industries, Chinese FDI activity included not just processing and manufacturing, trade, resources development, and food and beverages, but moved into transportation, finance, insurance, home appliance production, tourism services, and other fields. FDI no longer involved simply setting up window companies or representative offices, but took the form of joint ventures and wholly owned companies. M&A activity also rose. With the strategy of "Going Global," Chinese ODI entered a new phase, during which it received further impetus from promotional efforts on the part of the Chinese Government and the admission of the country into the World Trade Organization (WTO) in 2001.

The third stage: rapid growth (2002–2007)

During this stage China's market economy system was basically established, with a multi-level capital market beginning to take shape. State-owned enterprises made significant progress in restructuring themselves, while the reform of banks and other financial institutions was implemented smoothly and private companies continued to develop rapidly.

During this period, the government published a series of policy measures to encourage and promote FDI. Thanks to its admission to the WTO and implementation of the strategy of "Going Global," the already fast growth in the scale of Chinese ODI acquired further momentum. From 2002 to 2007, China's ODI flow jumped from $2.7 billion to $26.5 billion, a tenfold increase in just five years.[9] From the perspective of investors, private companies such as Lenovo, Wanxiang, Huawei, and TCL enjoyed relatively strong performances, while state-owned enterprises stood out with respect to M&A activity in the energy and resources sectors. In 2007, especially after the China Investment Corporation was established, China's ODI investors became more diverse. This period was also marked by worldwide growth of investment, with ODI from Chinese firms flowing to 173 countries and regions all around the globe. With respect to the modes of such investment, M&A activity grew rapidly, and the industries receiving Chinese ODI were greatly extended. Wholesale and retail, business services, energy and other resources, manufacturing, and technical services accounted for the vast majority of overseas investment. In August 2007, the U.S. subprime crisis occurred, triggering a global financial and economic crisis. The Chinese Government responded proactively to this threat, taking very positive steps to deal with it, causing China's ODI to enter into a new stage.

The fourth stage: stable growth (2008–present)

The 2008 financial meltdown brought on by the subprime American real estate bubble was duplicated in other countries marked by excessive borrowing and property speculation, notably Ireland and Spain, leading to a European debt crisis two years later. The global economy soon experienced a sharp downturn. China responded to these developments by trying to hasten the restructuring of its economy, which continued to enjoy sustained growth, replacing that of Japan as the second largest in the world in terms of GDP. At the same time, China's foreign exchange reserves grew from $1.95 trillion in 2008 to $3.8 trillion in 2013.[10]

During this fourth stage, despite this unfavorable backdrop, ODI experienced rapid sustained growth. To enhance the framing, review, and approval of the Chinese ODI policy and support service system, the Ministry of Commerce promulgated the "Measures for the Administration of Overseas Investment" in 2009 and delegated the permission of examination and approval of ODI. Around the same time, the State Administration of Foreign Exchange issued "Provisions on Foreign Exchange Administration for Overseas Direct Investment of Domestic Institutions."

These related measures issued by ministries and commissions helped to promote the rapid development of ODI. In 2008, China's ODI flow surged from $26.5 billion in 2007 to $55.9 billion. After several years of sustained, high-speed growth, the value of Chinese ODI reached $107.8 billion in 2013.[11] During this period, the main ODI investors, modes, and industries in China became increasingly diverse. In the case of Chinese ODI targets, this investment gradually shifted from lower-end manufacturing to high-tech industries. At the same time, overseas finance was marked by energetic Chinese ODI activity. Chinese outwardly investing firms also did well when undertaking M&A in the energy resources industry. Finally, a number of companies began using ODI to start integrating their industrial chain on a global scale.

In December 2013, the State Council promulgated the "Catalogue of Government – Approved Investment Projects (2013)" and delegated the examination and approval right of the National Development and Reform Commission and the Ministry of Commerce. On May 8, 2014, the National Development and Deform Commission issued "The Administration Measures for Approving and Recording Overseas Investment Projects." At the same time, the Ministry of Commerce finished revising the "Measures for the Administration of Overseas Investment." With the delegated approval of the ODI as well as the establishment of the ODI system, Chinese ODI will reach a new climax in the next few years.

An overview of the development of global and Chinese ODI

During 2013 and 2014, the world economy continued its slow recovery from the steep downturn of 2008–2009. But this growth was uneven. Among developed economies, the United States expanded relatively rapidly, while the eurozone economies hardly grew at all. Emerging economies also encountered headwinds, as the momentum of growth in most of these countries was insufficient to fuel more rapid expansion.

Despite these ongoing growth problems, global investment has not only stabilized but is once again rising. According to the United Nations Conference on Trade and Development (UNCTAD), from 2012 to 2013, global FDI inflows rose from \$1.33 trillion to \$1.45 trillion, or a yearly increase of 9%. Some 54% of that FDI went to developing countries, with China and other Asian countries continuing to take in the most transnational investment. During 2013 and 2014, the scale of global cross-border M&A continued to grow. Financial services, resource extraction industries, especially energy, as well as transportation and IT communication all were marked by considerable M&A activity. Greenfield Investment grew slowly, but its overall size was still greater than the cross-border M&A. According to UNCTAD's World Investment Report 2014, worldwide investment will further increase, and the global FDI flow in 2014 is expected to reach \$1.6 trillion.[12]

Against the backdrop of a slow global economic recovery, the Chinese economy expanded at a relatively rapid pace. With economic structural adjustment and transformation and upgrading achieving new progress, the endogenous momentum of China's economic growth has been increasing, which is also strongly supporting ODI by Chinese enterprises. At the same time, after the Chinese government speeded up the implementation of the "Going Global" strategy following the CPC's 18th National Congress, Chinese companies rapidly expanded their ODI. Indeed, 2013 and 2014 were marked by some very encouraging trends in this area.

1) Outflows of Chinese ODI will likely soon exceed inflows of FDI into the country

According to data from the Ministry of Commerce, Chinese ODI amounted to $116 billion in 2014, a nearly 16% increase over 2013, when such investment rose by 14% over 2012.[13] Although FDI inflows to China still exceeded its ODI by $3.6 billion, the rate of growth of the latter was much slower than that of the former, rising by just under 2%. If these recent trends continue, China's ODI will exceed inflows of FDI into the country for the first time in 2015. Indeed, if Chinese investment through third parties is taken into account, then the country is already a net outbound direct foreign investor. Adjusting Chinese ODI for such flows boosts the 2014 total to $140 billion versus the $119.6 billion worth of FDI entering the country during that year.[14]

2) Strong ODI performance from private firms

In recent years, private Chinese companies have showed great interest and enthusiasm for ODI, and their share of these investment flows has been constantly increasing. This is especially true in the United States, where ODI from Chinese private enterprises takes up 76% of the total amount of Chinese investment in the country.[15] These companies also accounted for 90% of all Chinese investment projects in America. The acquisition of Motorola's smartphone business by Lenovo and the buying of Smithfield Foods by Shuanghui International as well as the extensive investments of the Wanda Group in the United States have grabbed considerable attention worldwide. Nearly four-fifths, 38 out of 50, of the firms in the CCG[16] list of the top 50 new globalizing Chinese companies are private enterprises. This figure suggests that private firms are on the cutting edge of a new Chinese ODI boom.

3) The distribution of ODI industry is more diversified

In recent years, China's ODI has targeted 28 industries, including energy resources, food and beverages, manufacturing, finance, construction, and transportation. Chinese ODI has extended its reach to a wide range of areas. The two areas marked by the fastest growth have been construction and the cultural industry, with a year-on-year growth of

129.1% and 102.2%, respectively. The ODI in the real estate industry also rose very fast in the first half of 2014, when the flow of Chinese ODI flow to these sectors expanded by 53.3%.[17] The CCG list of the Top 50 Globalizing Chinese Enterprises includes 12 energy and resource extraction, 20 manufacturing, and 6 information and communication technology companies. And the Top 50 New Chinese Globalizing Enterprises contains 11 real estate firms, underscoring the quickening pace of globalization in this sector of China's economy in recent years.

4) Chinese enterprises ODI tends to target high added value activities, with more and more companies favoring high-tech fields

The preferences of Chinese enterprises in ODI are shifting from the traditional areas such as resources and energy extraction to higher value added high technology sectors. In particular, the U.S. high technology industry has become a first choice of Chinese firms for ODI. In the first half of 2014, the high technology sector accounted for 86.7% of Chinese FDI in the United States. More than half of that investment was focused on three sectors, namely IT equipment, software, and services.[18]

5) Enterprises have already begun to integrate industrial chain globally through mergers and acquisitions

The true measure of a company's globalization is not just the markets for its products, but its ability to effectively and fully integrate the global industrial chain to achieve more complete control over the production process. In recent years, a few Chinese companies have broadened their ODI efforts by gaining greater control over the downstream and upstream parts of the industry chain. In so doing, such companies have begun participating in the consolidation of certain industries on a global scale, while also moving from merely participating in to dominating these chains.

Although these positive changes in the globalization of Chinese firms have been greatly welcomed, the efforts of such companies to go global could still be improved. Our analysis of the ODI activities of Chinese enterprises has revealed the following problems in their outward expansion efforts:

First, some firms lack a clear globalization strategy. Globalization is the long-term trend for the development of Chinese enterprises. In different stages of development, there is no standard answer for questions such as "Is it necessary to go global?" or "When is the best time do that?"At the same time, some enterprises remain unaware of the centrality and inevitability of globalization as an economic trend, and going global is one way of closing this knowledge gap. But firms need to frame a clear strategy before expanding outward – otherwise they will be flying blind when seeking to globalize their operations.

Second, the talent globalization of ODI enterprises needs to be improved. China's multinational companies still lag behind their foreign counterparts in this area. Talent globalization is an important symbol for firms seeking to go global. In analyzing the overseas employees and employment practices of Chinese nonfinancial ODI enterprises, we found that the globalization level of the employees, management, and board of directors of the overseas Chinese companies are generally low. Ordinary employees in these firms are largely Mainland Chinese, while their foreign employees primarily come from developing countries. Chinese companies investing overseas therefore continue to be far behind the curve when it comes to implementing ODI employee localization. At the same time, the multinational index of Chinese enterprises is generally low. According to the data issued by the China Enterprise Confederation and China Enterprise Directors Association, in 2013, the average multinational index of China's top 100 multinational companies was 12.9%, far below that of the world's 100 largest multinational companies (62.3%). Thus, Cambridge University Professor Peter Nolan[19] has argued in his book "Is China Buying the World?" that Chinese multinational companies are not all that strong, In his view, the country badly needs to develop more truly global companies.

Third, the awareness of the importance of risk prevention needs to be further strengthened. Enterprise globalization is a complex, long-term process. Because Chinese firms began globalizing much later than their counterparts in the West, the majority are still relatively new to this game. They are facing uncertainties in politics and business, along with many other risks. Chinese companies should improve their governance structure, while also establishing and optimizing the ODI risk identification and prevention system to reduce their exposure to potential pitfalls. And by purchasing investment insurance, firms can further minimize their losses from risks.

In a report to the 18th National Congress of the Communist Party of China, the Chinese Government stated that it wished to "speed up the pace of (enterprise) going global." Similarly, the Decision of the Central Committee of the Communist Party of China on Some Major Issues concerning Comprehensively Deepening the Reform, issued during the 3rd Plenary Session of 18th CPC Central Committee, clearly endorsed increasing the amount of business enterprise and individual ODI. This important document provided another green light for all countries and regions to be targeted in engineering contracting and labor cooperation projects, allowing Chinese enterprises to undertake innovative approaches in making Greenfield, securities, and joint investments as well as M&A when going global. These directives have pointed out the development direction of ODI for Chinese enterprises and individuals. With the encouragement of constructive policies and rules from all levels of the Chinese Government, the outward expansion of Chinese enterprises will usher in a new era in the overall development of economic globalization.

The present situation and features of global FDI

In 2013–2014, as the world economy continued its moderate recovery from the 2008–2009 crisis, a significant uptick occurred in global investment. China and other Asian countries remained the main destination for FDI. Although Greenfield Investment slowed some, its overall scale still exceeded that of cross-border M&A, which also grew significantly over the same period. Global FDI shows the following general characteristics.

The worldwide flow of FDI is "W" shaped and has a long recovery period

Analysis of the worldwide FDI inflow data during 2004 and 2013 reveals that the U.S. subprime mortgage crisis and the European sovereign debt crisis are the two main nodes affecting global investment trends. Thus, in 2009 and 2012, the trend of worldwide FDI formed two valley bottoms, roughly corresponding to a "W" shape (See Figure 2.1 below).

Before the 2008–2009 financial crisis, worldwide FDI inflows were marked by accelerating growth, peaking at $2 trillion in 2007. With the global downturn triggered by the U.S. subprime real estate bubble, these inflows then dropped sharply, falling by 40% in 2008–2009, to just $1.2 trillion. Spurred on by economic stimulus measures in major economies, worldwide FDI inflows gradually recovered, rising to $1.7 trillion in 2011. But following that upturn, due to the escalating European sovereign debt crisis, worldwide FDI inflows once again dropped significantly in 2012, falling to $1.33 trillion.

In 2013, worldwide FDI inflows began picking up again, rising by 9%, to $1.5 trillion, thereby showing the same "W" pattern (as shown in Figure 2.1). This renewed growth in worldwide FDI has been to a great extent fueled by developed countries, with the relatively robust U.S. economic recovery playing a crucial role. At the same time, however, due

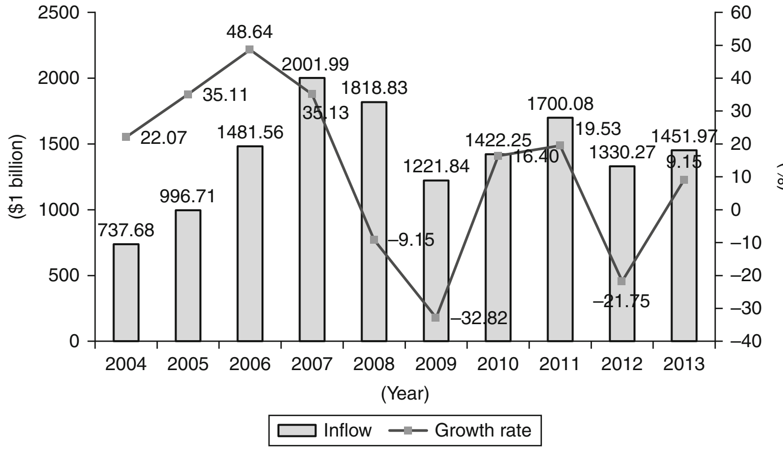


Figure 2.1 Global foreign direct investment inflows and the growth rate change

Source: Figure created by CCG with data from the United Nations Conference on Trade and Development. *World Investment Report 2014. Investing in the SDGs: An Action Plan.* New York and Geneva: United Nations (2014): Chapter 1. Retrieved online at http://unctad.org/en/PublicationsLibrary/wir2014_En.pdf.

to the imbalances in emerging economies, their other overall economic difficulties, and the ongoing uncertainties in the global macroeconomic environment, the road to recovery for worldwide FDI inflows will be long and uneven. According to the UNCTAD forecast put forward in the World Investment Report 2014, worldwide FDI inflows will reach $1.8 trillion in 2015, before returning to their 2007 level of $2 trillion in 2016. In other words, it will have taken nearly a decade for such investment to recover to the pre-2008–2009 crisis levels.

Worldwide FDI has remained concentrated in developed countries; However, investors are putting more money into emerging economies

In 2013, the FDI stock of the world's major developed countries reached $16.2 trillion, comprising 64% of the total global FDI stock, with a flow of $580 billion, accounting for 40% of the total worldwide flow of FDI. The FDI stock of the East Asian countries reached $2.7 trillion, or 0.5% of the global FDI stock, with an FDI flow of $220 billion accounting for 15.2% of the total worldwide flow of FDI, or a 2% greater share than that claimed by the 15 European Union countries, but 11% lower than that of the United States and Canada (as shown in Figure 2.2).

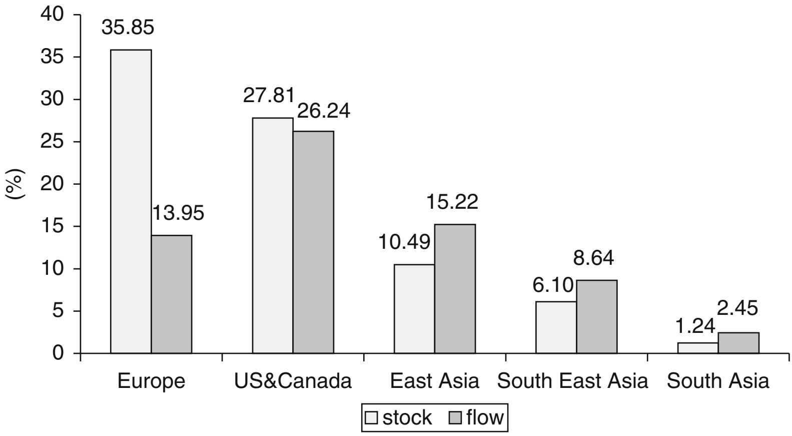


Figure 2.2 Global foreign direct investment's major regional distribution in 2013

Source: Figure created by CCG with data from the United Nations Conference on Trade and Development. *World Investment Report 2014. Investing in the SDGs: An Action Plan*. New York and Geneva: United Nations (2014): Chapter 2. Retrieved online at http://unctad.org/en/PublicationsLibrary/wir2014_En.pdf.

The World Investment Prospects Survey (2013–2015) released by UNCTAD shows that when evaluating the importance of the host country, the share of respondents from East Asia and Southeast Asia answering "Very important" and "Extremely important" reached 64% and 58.6%, respectively. At the same time, the proportion for the United States, Canada, and the 15 European countries were 63.9% and 58.2%, respectively. The proportion for the Latin America and the Caribbean Region reached 43.6%, up 6.3% from the previous survey, a shift that reflects the huge room for development in this region. According to the survey, the popular investment target countries are China, the United States, India, Indonesia, and Brazil, while the most active investors are China, the United States, Germany, Britain, and France. In 2013, inflows of FDI to China totalled $123.9 billion, exceeding such inflows to the United States by $63.6 billion. China had the third largest ODI flow in the world, reaching $101 billion, exceeding that of Japan by $34.7 billion.[20]

Cross-border M&A has been recovering slowly, with Greenfield Investment continuing to exceed the scale/value of cross-border M&A

Cross-border M&A is an important type of FDI. From the second half of the 1990s to 2007, cross-border M&A activity grew faster than the

Greenfield Investment in the worldwide FDI mix. At that time, the rapid development of FDI worldwide was closely related to the surge in cross-border M&A during this period. In 1996, the worldwide flow of FDI was $386.1 billion, with the value of cross-border M&A exceeding the $200 billion mark for the first time to reach $227 billion, accounting for 59% of the total flow of FDI worldwide. In 2000, cross-border M&A broke the $1 trillion ceiling, reaching $1.1 trillion, accounting for 82% of the worldwide flow of FDI. The proportion of cross-border M&A in the worldwide flow of FDI then declined slightly in the run-up to the 2008 U.S. subprime financial meltdown, but remained above 50%. In 2007, cross-border M&A activity amounted to $1 trillion, accounting for 52.1% of the worldwide flow of FDI. Since 2007, due to the U.S. subprime real estate bubble and the European sovereign debt crisis, the scale and speed of cross-border M&A activity declined significantly, with its share of the worldwide FDI mix being markedly diminished. Cross-border M&A activity in 2013 amounted to $348.75 billion, accounting for only 24%[21] of the total worldwide flow of FDI.

In analyzing cross-border M&A activity and the Greenfield Investment from 2008 to 2013 (see Figure 2.3), we see that after more than four years of economic contraction, cross-border M&A have now begun to show the signs of recovery. Because the cross-border M&A are more easily affected by the external economic environment and are marked by greater volatility in their trading scale, their recovery has been slower than that of Greenfield Investment. Thus, whether or not the scale of cross-border M&A will surpass that of Greenfield Investment depends

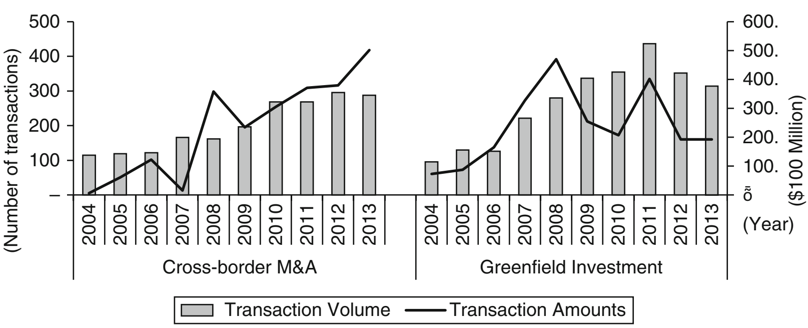


Figure 2.3 Comparison of Chinese enterprises' cross-border M&A and Greenfield investment from 2004 to 2013

Source: Figure created by CCG with data from the United Nations Conference on Trade and Development. *World Investment Report 2014. Investing in the SDGs: An Action Plan*. New York and Geneva: United Nations (2014): 47–50. Retrieved online at http://unctad.org/en/PublicationsLibrary/wir2014_En.pdf.

on the strength of the global economic recovery. In general, over the next two to three years, Greenfield Investment will show a downward trend and the scale of global cross-border M&A activity will continue to increase.

At the same time, the data of global FDI and cross-border M&A between 1990 and 2013 indicates that cross-border M&A activity is concentrated in developed countries, especially Canada, Britain, and the United States. Cross-border M&A activity is less marked in the developing countries, indicating room for the further growth of such investment in these economies (see Figure 2.4).

Cross-border M&A is focused in the services and financial industries

In 2013, cross-border M&A in the service industry amounted to $225.4 billion, accounting for 71.7% of all global M&A transactions, while also exceeding the figure for Greenfield Investment by 19%. The number of cross-border M&A transactions in services and finance totaled 6,185, accounting for 64.6% of the global cross-border M&A volume, about 7% higher than their share of Greenfield Investment (see Figure 2.5). Analysis of the cross-border industries from 1990 to 2013 shows that the big global M&A deals mainly occurred in the electricity, gas, petrochemical engineering, coal-mining, and other energy-related industries, as well as in transportation and communications (as shown in Figure 2.6). But with respect to the total number of deals and financial trades, the services industry took the lead. This is especially true for financial and business services, where cross-border M&A activity has been especially frequent. In 2013, the value of financial industry cross-border M&A amounted to $156 billion, a 34.3% increase over 2012, with the number of such deals totaling 3,515. At the same time, the value of cross-border M&A in the business services amounted to $26.6 billion, with the number of deals totaling 925, indicating business services are playing a small, but active role in global M&A transactions.

Current situation and characteristics of Chinese enterprise globalization

The globalization of Chinese enterprises can be traced back to the beginning of the Reform and Opening Up Policy. On August 13, 1979, the State Council put forward 15 economic reforms explicitly allowing enterprises to “go global,” which marked the first time that New China made the development of FDI a national policy objective. A number of

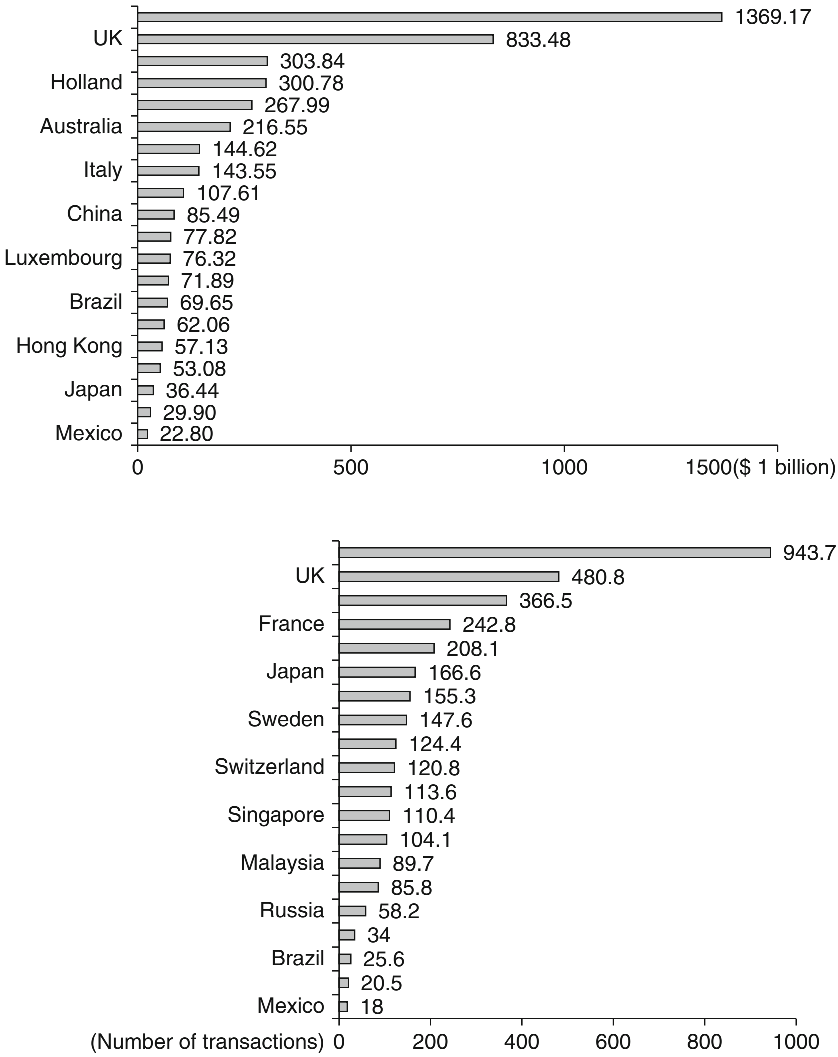


Figure 2.4 Comparison of numbers and amounts of cross-border M&A in the 20 major countries around the world

Source: Figure created by CCG with data from the United Nations Conference on Trade and Development. *World Investment Report 2014. Investing in the SDGs: An Action Plan*. New York and Geneva: United Nations (2014): Chapter 2. Retrieved online at http://unctad.org/en/PublicationsLibrary/wir2014_En.pdf.

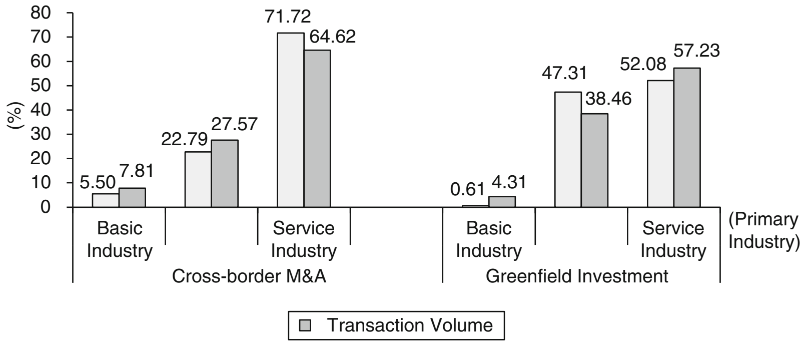


Figure 2.5 Financial industry proportion of global cross-border M&A and GI in 2013

Source: Figure created by CCG with data from the United Nations Conference on Trade and Development. *World Investment Report 2014. Investing in the SDGs: An Action Plan*. New York and Geneva: United Nations (2014): Chapter 2. Retrieved online at http://unctad.org/en/PublicationsLibrary/wir2014_En.pdf.

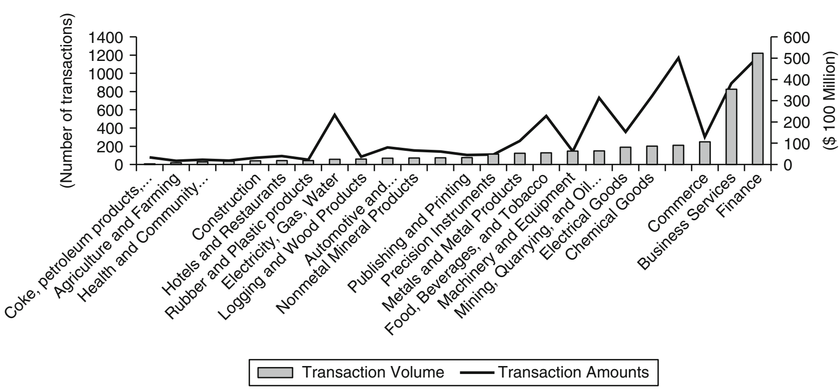


Figure 2.6 The global cross-border M&A industry

Source: Figure created by CCG with data from the United Nations Conference on Trade and Development. *WorldInvestment Report 2014. Investing in the SDGs: An Action Plan*. New York and Geneva: United Nations (2014): Chapter 2. Retrieved online at http://unctad.org/en/PublicationsLibrary/wir2014_En.pdf.

professional foreign trade firms and international economic and technological cooperation companies in some cities began opening export abroad or overseas representative offices based on their long-term global import and export business channels.[22] In November 1979, Beijing

Friendship Business Service Company and Tokyo Maruichishoji Co. joined forces to establish the first Chinese overseas enterprise in Tokyo, Jinghe Co., after the Reform and Opening Up Policy. This marked the start of Chinese enterprise globalization.

In 1992, the Report to the 14th National Congress of the Communist Party of China called for greater efforts to "actively expand our country's enterprises in outward direct investment and transnational business". In 1997, the Report to the 15th National Congress of the Communist Party of China advocated the "better use of the two markets, two resources, both at home and abroad, to actively participate in regional economic cooperation and global multilateral trading system, to encourage the comparative advantages of outward direct investment in China." In November 2000, The 5th Plenary Session of the 15th National Congress of the CPC explicitly put forward the strategy of "going global" for the first time. In 2001, the strategy of "going global" was written into the Outline of the Tenth Five-Year Plan for National Economic and Social Development.

When reviewing the development process of the "going global" strategy, we can find that this orientation was the first conceived in Deng Xiaoping's thinking on opening up the Chinese economy and has a solid theoretical basis. The Report to the 16th National Congress of the Communist Party of China laid out the combination of bringing in and going global, and measures for fully implementing the strategy of "going global." The Report to the 18th National Congress of the Communist Party of China suggested speeding up the pace of "going global" and strengthening the ability of firms to operate internationally, with the aim of nurturing a cohort of world-class multinational companies, thereby providing a further impetus for business enterprises to "go global." With these steps, "going global" had become an important new phase in China's strategic deployment of its opening-up policy for economic growth. After reviewing the implementation of the strategy of "going global," we found that by 2013, 15,300 Chinese investors had set up 25,400 ODI enterprises abroad, which are distributed across 184 countries and regions in the world. ODI from Chinese enterprises rose from less than $1 billion in 2000 to $107.8 billion[23] in 2013, a hundredfold increase in just over a decade.

The impact of "going global" has also been extremely significant in the fields of project contracting and labor cooperation. The amount of the international engineering contracts and turnover experienced by Chinese firms in undertaking such projects has risen very quickly. The cooperation modes are very diverse, represented by more and more engineering procurement construction (EPC) general contracting and greater use of build-operate-transfer (BOT) financing methods. In terms of foreign labor cooperation, from 2004 to 2013, the annual average number of foreign labor service cooperation personnel in China was 220,000, with an average annual growth rate of 15%. China's labor service personnel are distributed across more than 180 countries and regions all over the world, mainly in manufacturing, construction, shipbuilding, IT industry, agriculture, food and beverages, social services, and many other fields[24] (see the three modes of China enterprise globalization shown in Figure 2.7).

At the same time, in recent years, the methods by which Chinese enterprises have globalized are becoming very innovative, including the building of industrial and technology parks and overseas economic and trade cooperation zones. Chinese enterprise globalization presents a very broad picture, and its current situation is marked by the following general characteristics:

First, China's ODI has surpassed ODI from several major developed economies, bucking the declining trend of worldwide investment in the face of ongoing global economic difficulties. Since 2008, the world economy has been rocked first by the bursting of the U.S. subprime real estate bubble and then the European debt crisis. Due to the weak GDP growth in developed economies, especially in the eurozone, the

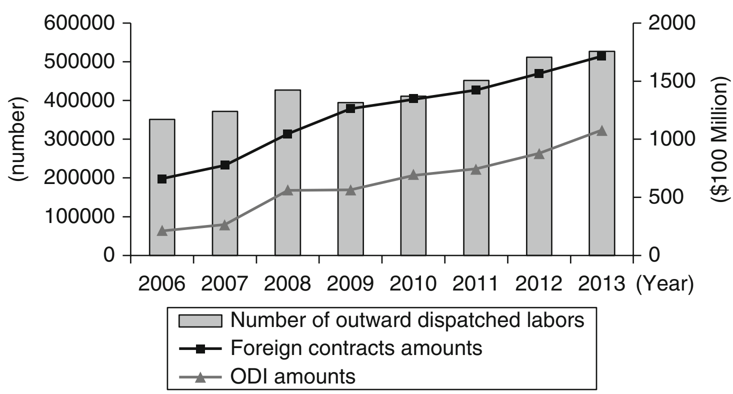


Figure 2.7 Comparison of the three operation modes of Chinese enterprise globalization, 2006–2013

Source: Figure created by CCG with data from the Ministry of Commerce, National Bureau of Statistics, State Administration of Foreign Exchange, *Statistical Report of China's Outward Foreign Direct Investment*. Beijing: China Statistics Press (2007–2014).

worldwide flow of FDI has been largely shrinking since 2008–2009However, going against this overall trend, China's ODI continued to sharply increase. With respect to the quantity of flow, in 2010, China's ODI surpassed for the first time that of traditional investment powerhouses such as Japan and Britain, rising to number three in the world. As for the total stock of Chinese ODI, that figure stood at $660.5 billion in 2013, nearly 15 times higher than the total of $44.9 billion in 2004[25] (see Figure 2.8). In terms of ODI stock, China's ranking among major global economies rose from 13th in 2012 to 11th in 2013. At the same time, China accounted for 77% of the total ODI stock held by economies worldwide (see Figure 2.9).

As was noted earlier in this chapter, according to data from the Ministry of Commerce, Chinese ODI amounted to $116 billion in 2014, a nearly 16% increase from 2013, when such investment rose by 14% over 2012. Although FDI inflows to China still exceeded its ODI by $3.6 billion, the rate of growth of such investment was much slower, rising by just under 2%. If these recent trends continue, China's ODI will exceed inflows of FDI into the country for the first time in 2015. Factoring in Chinese investment through third parties raises the ODI flows from China to $140 billion in 2014, making the country already a net outbound direct foreign investor. According to Dunning's theory of

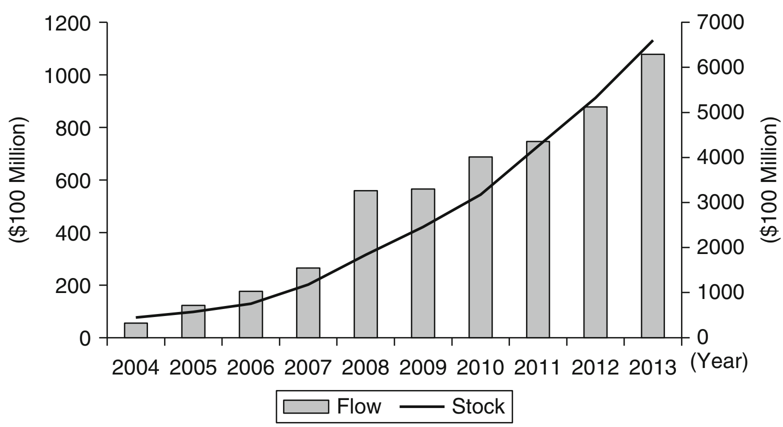


Figure 2.8 China's FDI flow and stock trend from 2004 to 2013

Source: Figure created by CCG with data from the China National Government Ministry of Commerce, National Bureau of Statistics, State Administration of Foreign Exchange. *The Statistical Bulletin of China's Outward Foreign Direct Investment 2013*. Beijing: China Statistics Press (2014).

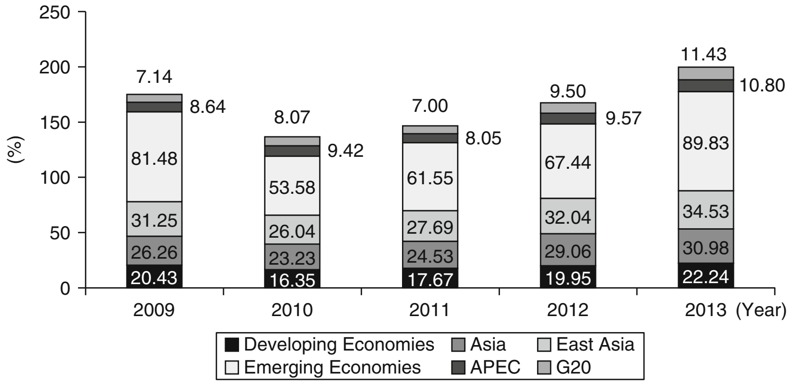


Figure 2.9 China's ODI proportion among the world's major economies

Source: Figure created by CCG with data from the Ministry of Commerce, National Bureau of Statistics, State Administration of Foreign Exchange. *The Statistical Bulletin of China's Outward Foreign Direct Investment 2013*. Beijing: China Statistics Press (2014).

ODI,[26] when a country's per-capita GDP surpasses $4,750, the balance of FDI outflows to inflows and outflows will develop in a positive direction, with the latter overtaking the former. Chinese per-capita GDP has now surpassed $6,700, already putting China at the fourth stage in the FDI development cycle. If the market develops as shown in the analysis, then 2015 or 2016 will mark a "watershed" year for Chinese ODI, heralding the entry of China into the ranks of countries with net outflows of such investment.

Second, private enterprises have remained active ODI participants, while M&A cases increased in the state-owned enterprises and private companies. In recent years, China's private firms have become increasingly involved in ODI, and these companies have now become a main force in overseas M&A by Chinese businesses. Private firms have been particularly prominent in investing in the United States, accounting for 76% of the total amount of Chinese investment in that market. At the same time, 90% of Chinese investment projects in the United States came from private companies.[27] Among these M&A cases, Lenovo's acquisition of MOTOROLA's Smartphone business, Shuanghui's acquisition of Smithfield Foods, and Wanda's investment in the United States enjoyed relatively strong performances.

Another notable recent trend has been the falling share of Chinese ODI taken by state-owned enterprises. According to Ministry of Commerce statistics, these companies now account for 55%[28] of Chinese ODI. With the simplification of the governmental formalities for the examination and approval of Chinese ODI and state efforts to promote such activity, private enterprises are certain to step up their overseas investment. At the same time, state-owned enterprises and private companies will increasingly work together in undertaking foreign M&A projects.

Third, Chinese enterprises' investment in the United States grew quickly, while Asia remained one of the main areas of the China's ODI. According to the statistics of the Ministry of Commerce, in 2013, Chinese investors directly invested in 5,090 foreign companies in 156 countries and regions globally, with Hong Kong, the Association of Southeast Asian Nations (ASEAN) countries, European Union, Australia, U.S., Russia, Japan, and G-8 economies being the main targets of this activity (as shown in table 1.1). In 2013, Chinese investment in Russia, the United States, Australia, and ASEAN countries was $1 billion, $3.9 billion, $3.5 billion, and $7.3 billion, respectively. Chinese investment in the United States fell by 4.3% in 2012, and rose 59.1% on a year-on-year basis in Australia, while dropping by 2.8% between 2012 and 2013 in Europe.[29] An analysis of China's ODI from 2004 to 2013 reveals that this investment is concentrated in Asia, which accounted on average for 70% of it. The annual share taken by Latin America averaged 13%, while North America and Europe averaged 12%. In terms of cumulative proportion, Chinese investment in Europe and North America has been increasing year by year (as shown in Figure 2.10 and Table 2.1).

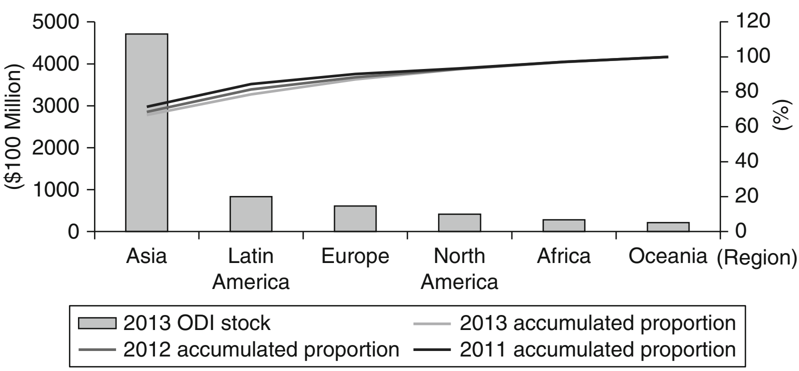


Figure 2.10 Regional distribution of China's ODI in 2013

Source: Figure created by CCG with data from the China National Government Ministry of Commerce, National Bureau of Statistics, and State Administration of Foreign Exchange. *The Statistical Bulletin of China's Outward Foreign Direct Investment (2004–2013)*. Beijing: China Statistics Press (2005–2014)

Table 2.1 China's major ODI stock and flow contrast

Unit: $100 million dollars						
Country and Region	ODI stock			ODI flow		
	2011	2012	2013	2011	2012	2013
Hong Kong	2615.19	3063.72	3770.9	356.55	512.38	628.24
British Virgin Islands	292.61	308.51	339.03	62.08	22.39	32.22
Cayman Islands	216.92	300.72	423.24	49.36	8.27	92.53
US	89.93	170.8	219	18.11	40.48	38.73
Australia	110.41	138.73	174.5	31.65	21.73	34.58
Russia	37.64	48.88	75.82	7.16	7.85	10.22
France	40.6	47.75	44.48	-0.14	-8.15	2.6
South Africa	37.24	39.51	44	34.82	1.54	-0.89
Germany	24.01	31.04	39.79	5.12	7.99	9.11
Indonesia	16.88	30.98	46.57	5.92	13.61	15.63
South Korea	15.83	30.82	19.6	3.42	9.42	2.68
Macao	26.76	29.29	34.09	2.03	0.17	3.94
Thailand	13.07	21.27	24.72	2.3	4.79	7.55
Nigeria	14.16	19.5	21.46	1.97	3.33	2.09
Japan	13.66	16.2	18.98	1.49	2.11	4.34
Vietnam	12.91	16.04	21.66	1.89	3.49	4.8
Sudan	15.26	12.37	15.07	9.12	–0.02	1.4

Source: Table created by CCG with data from the China National Government Ministry of Commerce, National Bureau of Statistics, and State Administration of Foreign Exchange. *The Statistical Bulletin of China's Outward Direct Investment (2011–2013)*. Beijing: China Statistics Press (2012–2014).

According to the questionnaire survey by CCG and the China Association for International Economic Cooperation in the first half of 2014, 35% of Chinese firms selected Africa as their first choice for making ODI followed by the United States (30%) and Europe (25%), indicating that Chinese companies have begun to transfer their investment to the countries and regions outside of Asia. China's investment in Africa is expected to show explosive growth in the next few years. In May 2014, Premier Li Keqiang of the State Council said during a visit in Africa that in 2020, China's ODI stock in Africa should reach $100 billion – at the end of 2013, China's ODI stock in Africa amounted to just $250 million. To achieve the target of $100 billion of ODI stock by 2020, China's investment flow in Africa must amount to an average of $10.7 billion from 2014–2020. According to the statistics of the Ministry of Commerce, in 2012, China's investment flow to Africa was $2.5 billion, which is well short of the $10.7 billion mark.[30] China and Africa have very complementary economies, creating huge opportunities for cooperation between the People's Republic and the continent. Under the push of government, it can be expected that in the next few years, China also will expand its cooperative efforts in Africa beyond the traditional field of energy resource extraction into other industries.

Fourth, ODI went to 28 industries, with building and construction and the cultural and real estate industries all undergoing large increases. While this ODI activity was taking place, overseas M&A activity by Chinese firms has occurred in 16 industries,[31] including energy resources, food and beverages, communication and transportation facilities, mechatronics technology, other manufacturing sectors, and the wholesale and retail industries (see Figure 2.11). ODI is mainly flowing into leasing and business services, mining, wholesale and retail, manufacturing, finance, building and construction, and transportation. The largest part of the ODI, 36.8%, went into leasing and the business services industry. Investment in building and construction and the cultural industry experienced a year-on-year growth of 129.1% and 102.2%, respectively, the highest rate of increase of all sectors. The flow of Chinese ODI into real estate also rapidly increased – in addition to buying buildings, Chinese real estate companies have begun to invest in land development projects. According to statistics from the China Association for International Economic Cooperation (CAIEC), the United States, Britain, and Australia have been the main

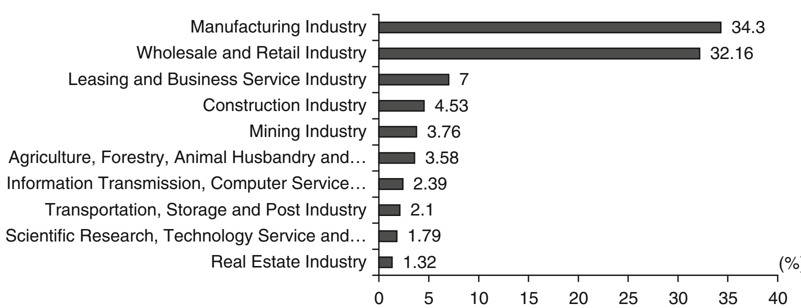


Figure 2.11 Distribution of Chinese investors

Source: Figure created by CCG with data from the China National Government Ministry of Commerce, National Bureau of Statistics, and State Administration of Foreign Exchange. *Statistical Report of China's Outward Foreign Direct Investment 2008–2013*. Beijing: China Statistics Press (2009–2014).

destinations for Chinese overseas real estate investment. In 2013, the overseas investment of Chinese real estate companies totaled $15.4 billion.[32] In the first half of 2014, Chinese real estate industry ODI increased 53.3%,[33] with Wanda Group and Greenland Group being the most active investors.

The ODI activity of Chinese agricultural companies has also largely been increasing. In 2013, the ODI of Chinese agricultural companies once again grew at a brisk pace, with investment into cross-border M&A reaching $11.6 billion, about two times larger than that of 2010. Though the M&A amount of agricultural companies declined in the first half of 2014, it still reached $3 billion.[34]

Completion and settlement factors led to considerable fluctuation in the ODI of the Chinese energy resources industry. In 2012, China National Offshore Oil Corporation (CNOOC) acquired Nexen at a price of $15.1 billion, the main part of the ODI of energy and resources industry for that year. In 2013, the absence of big deals led to a 6.2% drop in the value of ODI by Chinese energy resources companies. In the first half of 2014, due to Minmetals' acquisition of Las Bambas of Peru, the figure rose to $29.5 billion, with a year-on-year growth rate of 48.9%.

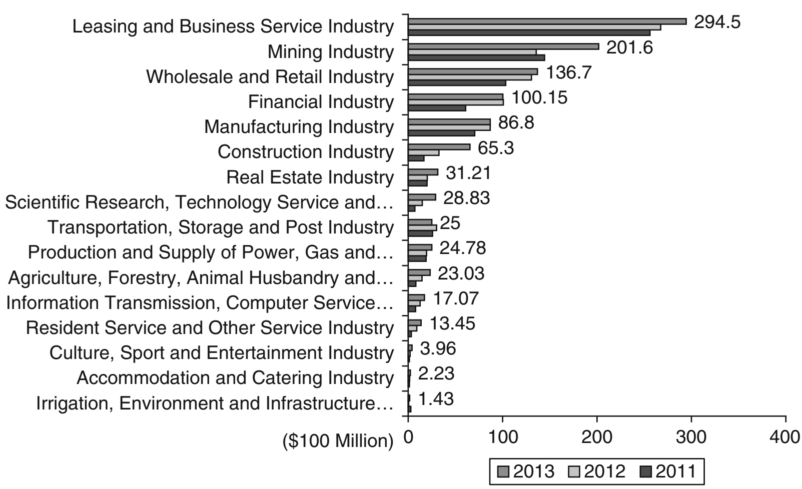


Figure 2.12 Distribution of Chinese foreign direct investment

Source: Figure created by CCG with data from the China National Government Ministry of Commerce, National Bureau of Statistics, and State Administratoin of Foreign Exchange. *Statistical Report of China's Outward Foreign Direct Investment 2008–2013*. Beijing: China Statistics Press (2009–2014).

(these and other ODI deals conducted by Chinese energy companies are reviewed in more detail in the appendix for Chapter 5)

Chinese firms investing abroad tend to pursue high added value and American companies in the high-tech industry

Traditionally, Chinese enterprises investing abroad were largely interested in energy and resources. Although this sector is still important, a growing number of Chinese firms are now starting to invest into the overseas high technology industry in the pursuit of higher value added targets, with the American high-tech industry being their primary choice. As was noted earlier, 86.7% of Chinese ODI in the high tech sector was targeted at the United States. The high-profile cases here include Lenovo's acquisition of Motorola and Alibaba's acquisition of the start-up TangoMe. According to a report of the Asia Society, over 80% of the investors in new and high-tech industry are private companies, a slight decline from the level of about 90% in 2013. In the meantime, over half of Chinese investors in the United States are putting their money into IT facilities, software, and related services, along with the auto parts and equipment sectors. Chinese enterprises investing in American new and high-tech industry seek to acquire not only technology, brand names and equity, sales channels, and other strategic resources, but also talent from advanced organizations to improve their multinational operation. Emphasizing these motivations for FDI in the United States can help these Chinese firms avoid American concerns on the economic size of the relevant industries, nonmarket advantages, industry policy, state holding, and national security.

Some companies are moving from being a participant to a leader in the global industrial chain

The benchmarks for measuring a company's globalization performance should include not only the globalization of products, markets, and sales network, but also the ability to use, integrate, and control the global industry chain. In the past two years, some Chinese enterprises began integrating the global industry chain by controlling its upstream and downstream segments, indicating that Chinese firms are shifting from being participants to leaders in this process. Analysis of Chinese ODI from 2004 to 2013 shows that such investment mainly flowed to leasing and business services, energy and other resources, retailing, and machinery manufacturing. Companies in these industries extended their control over the industrial chain by investing abroad, undertaking overseas M&A to acquire comparative advantages. Moreover, according to an analysis done by CCG, 62% of the ODI was carried out to acquire sales channels and marketing services. In the past, China participated in an international division of labor by capitalizing on its low labor cost, exporting low added value products as an emerging economy manufacturer.[35] However, now Chinese enterprises are moving upward to the top of the value chain through investing overseas, particularly by gradually using this activity to transfer their manufacturing ability. Nevertheless, this kind of investment will not serve as a major investment model over the short-term.

The number of cross-border M&A is rising, while Greenfield Investment is declining

As a major method of overseas investment of Chinese enterprises, cross-border M&A increased steadily from 2004 to 2013. With respect to the number of such transactions, cross-border M&A activity experienced a rocky rise from 2004 to 2008, and then increased steadily after the worldwide financial crisis. In 2011, a year after the 2010 European sovereign debt crisis, the number of cross-border M&A deals initiated by Chinese enterprises equaled that of the previous year, but the value of such transactions was much higher (see Figure 2.13). In 2013, 288 cross-

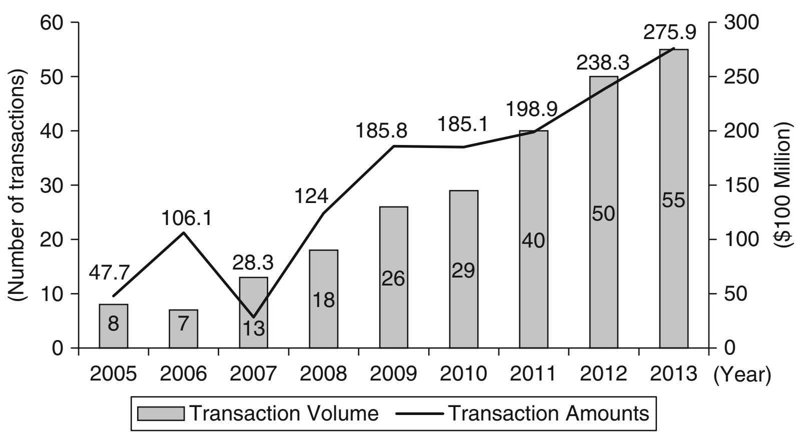


Figure 2.13 Investment in high-tech industry by Chinese enterprises from 2005 to 2013

Source: Figure created by CCG with data from the CCG data center and American Enterprise Institute (AEI), latter data retrieved from http://www.aei.org/china-global-investment-tracker/.

border M&A were initiated by Chinese enterprises, with their value amounting to $50.2 billion. These M&A occurred in 70 countries and regions, and their total value was 37.4% greater than the $37.6 billion figure for 2012. Cross-border M&A also accounted for 37% of the total flow of Chinese ODI.

As shown in Figure 2.14, from 2005 to 2013, Chinese cross-border M&A activity was concentrated in Asia, Africa, and North America, whose share of such deals came to 31%, 21%, and 14%, respectively. Altogether, these regions accounted for 66% of all the cross-border M&A transactions undertaken by Chinese enterprises. Table 2.2 shows that Chinese enterprises' M&A in Asia decreased, with the share of that region in such activity falling to 30% in 2013, down by 15% from 2007. Chinese overseas M&A activity in Europe increased, accounting for 16% of all such deals in 2013, up from 5% in 2005. According to the transnational operation theory, the high competitiveness of firms in economies with mature markets makes cross-border M&A the preferred form of overseas investment. The statistics show that the investment of Chinese enterprises mainly flowed to developed countries and regions, which has served as a main choice for economies with high levels of ODI. The shift in Chinese ODI from Asian countries to more developed countries and the equilibrium distribution of this investment demonstrates that Chinese enterprises have learned that previously high-quality assets

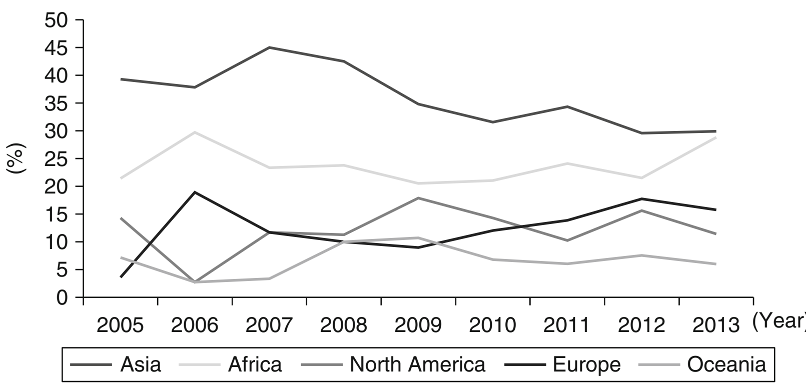


Figure 2.14 Comparison of the Chinese enterprises' cross-border M&A and Greenfield investment from 2004 to 2013

Source: Figure created by CCG with data from the United Nations Conference on Trade and Development. *World Investment Report 2014. Investing in the SDGs: An Action Plan*. New York and Geneva: United Nations (2014): Chapter 2. Retrieved online at http://unctad.org/en/PublicationsLibrary/wir2014_En.pdf.

were devalued by the global financial crisis. This opened up new opportunities for these firms in North America and Europe, showing that they are being honed by the market economy and integrating global resources in order to expand their business and adjusting their business growth strategies.

According to CCG's analysis of 986 transnational M&A cases from 2004 to 2013, M&A in energy, transportation and communication, and nonferrous metals accounted for 76% of the total amount of this kind of Chinese overseas investment activity (energy took a 47% share). The energy, communication and transportation, real estate, and nonferrous metals sectors had the largest numbers of M&A transactions. M&A in Asia covered all sectors in the table, but were concentrated in energy. Most M&A in the financial and technology industries flowed to Europe and North America (see Table 2.2). The overseas M&A activity of Chinese firms has become increasingly diversified, demonstrating that Chinese companies are trying to globalize their operation through integrating their strategic goals with overseas markets, as opposed to doing so just to obtain resources.

In 2014, the food and beverages industry accounted for 17% of the total number of Chinese cross-border M&A. At the same time, the 14 M&A undertaken in real estate took a 31% share of such deals. The Table 2.3 shows that the M&A transactions in the real estate industry increased continually for five years, rising at an average annual rate of 32%.

Enhancing brand name has become an important reason for ODI

According to the *Investigation on Current Situation and Intention of Chinese Enterprises' ODI in 2013* by the China Council for the Promotion of International Trade (CCPIT), Chinese companies are attaching greater importance to enhancing brand recognition when making overseas investment decisions. State-owned enterprises attached more importance to learning brand management than did private firms. High value was also attached to expanding market share, developing the upstream and downstream of industry chain, and nurturing businesses' soft power. This contrasts sharply to 2009, when Chinese companies mainly sought to expand market share and acquire resources when investing abroad.

The investigation found that only 22% of the companies had development strategies, even though over half of them wanted investment promotion organizations that could help them improve their brand image. The companies also wished for the government to devise policies facilitating their brand promotion. Favorable policies on investment have had a greater influence on state-owned enterprises than private

Table 2.2 Regions and industries of Chinese cross-border M&A from 2005 to 2013

Unit: $100 million											
	Energy	**Transportation**	**Real Estate**	**Mining**	**Agriculture**	**Technology**	**Finance**	**Chemical Engineering**	**Others**	**Number of Transactions**	**Amount of Transactions**
Asia	135	65	54	38	16	13	4	3	6	334	2437.1
Africa	75	65	38	30	14	6	2	0	4	234	1716.3
South America	36	13	4	18	7	3	6	1	0	88	899
North America	35	17	19	16	5	10	17	1	7	127	1114.4
Europe	34	26	24	10	10	12	9	5	4	134	1038
Oceania	25	1	2	29	8	0	2	1	1	69	609.8
Number of Transactions	340	187	141	141	60	44	40	11	22	986	
Amount of Transactions	3699.8	1109.9	743.1	1146	344	214.1	390.6	84.3	82.8		7814.6

Source: Figure created by CCG with data from the CCG data center and American Enterprise Institute (AEI), latter data retrieved from http://www.aei.org/china-global-investment-tracker/.

Table 2.3 Chinese cross-border M&A in real estate industry from 2009 to 2014

	2009	2010	2011	2012	2013	First half of 2014
Number of cases	14	17	19	26	41	14
Total Amount of Transactions (unit: 100 million USD)	59.7	133.7	94.6	162.3	168.4	985.8

Source: Table created by CCG with data from the CCG data center, American Enterprise Institute (AEI); latter data retrieved from http://www.aei.org/china-global-investment-tracker/.

firms – the latter were mainly motivated by the narrowing domestic market. According to the statistics of questionnaires and interviews conducted by CCG and the China Association for International Economic Cooperation in 2014, the top three motivations for Chinese enterprises going global are improving the brand name, enhancing their sustainable development, and boosting market competitiveness, with these three motivations being cited by 49%, 44%, and 42% of the respondents, respectively. Such findings further underscore how Chinese companies are shifting from merely trying to acquire resources to rationally allocating resources when going global.

Some companies are putting greater emphasis on corporate social responsibility (CSR) and globalizing Chinese culture

The extent to which Chinese companies can fulfill their social responsibilities when investing overseas greatly influences their image in host countries and their success and failure of investment projects. Europe and North America attach more importance to CSR than Latin America and the Caribbean, the Middle East, and North Africa. Although Chinese firms lack the requisite media help in promoting their positive image, they have also neglected the importance of community service, environmental protection, and emphasizing the interest of investors, employees, consumers, and suppliers. State-owned enterprises have worked harder at cultivating good relations with local host governments than they have with communities, while private enterprises tend to focus on immediate priorities in this area and lack long-term strategic goals.

Most Chinese firms investing abroad merely carry out their responsibilities according to the laws and regulations in host countries. The UNCTAD *World Investment Report 2014* shows that both developed and developing countries require huge new investments in a wide variety of areas in order to realize the sustainable development goals of the United

Nations. The annual amount of investment needed by developing countries will be between $3.3 trillion and $4.5 trillion. Chinese business enterprises and the Chinese Government will increasingly need to devise an investment mechanism based on both the international situation and imperatives of sustainable development in host countries.[36]

According to the Investigation on Current Situation and Intention of Chinese Enterprises' ODI in 2013, 75% stated-owned enterprises have incorporated statements regarding CSR into their strategic goals. Over half of these firms have also set targets and management plans for carrying out CSR. Some 40% of the private companies have built communication mechanisms for stakeholders, a 10% higher share than that of state-owned enterprises. In 2013, the Ministry of Commerce issued the Environment Protection Guide for Outward Direct Investment to guide Chinese enterprises on effectively conducting CSR. By the end of 2013, nearly ten firms announced that they would be issuing reports regarding their CSR and sustainable development activities.

Carrying out CSR helps companies promote a positive image, while also creating opportunities for them to spread Chinese culture. Due to the influence of Confucius Institute Development Outline (2012–2020) promoted by the Ministry of Education, Chinese multinational enterprises and Confucius Institutes in different parts of the world co-organized various events on Chinese culture. For example, ZTE Corporation in Zambia cooperated with the Confucius Institute in the country to operate schools, at the same time the president of Confucius Institute in Opole, Poland, attended a global CSR seminar held in that city. Air China put on a product promotion exhibition in the Ateneo De Manila University Confucius Institute Cultural Center. The latest statistics have shown that by August 2014, 465 Confucius Institutes had been built in 123 countries, and more than 400 institutions from more than 70 countries[37] are applying to build Confucius Institutes. These institutes have greatly assisted Chinese enterprises in their efforts to take part in overseas cultural events and spread Chinese culture.

Overseas contract project cooperation models have become more diversified and spread out

The amount of signed contracts and turnover of overseas contract projects has risen steadily (see Figure 2.15), and the cooperation models of such activity have become increasingly diversified. Contract models such as EPC, financing models such as BOT, and payment in kind models will increase. As China attaches increasingly more importance to economic diplomacy and its need for foreign resources grows, the

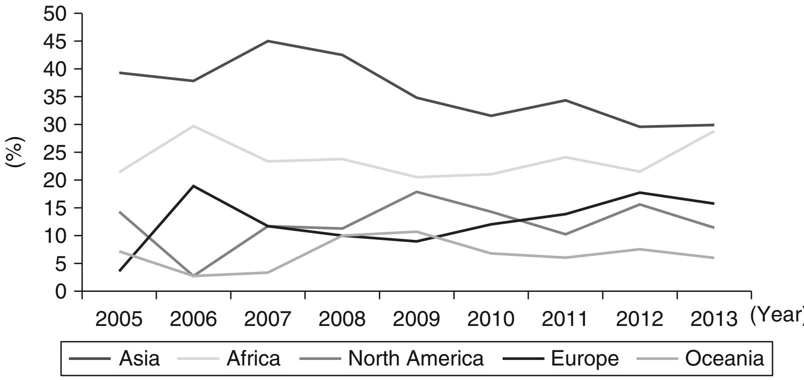


Figure 2.15 Distribution of destinations of Chinese cross-border M&A from 2005 to 2013

Source: Figure created by CCG with data from the CCG data center and American Enterprise Institute (AEI); latter data retrieved from http://www.aei.org/china-global-investment-tracker/.

Chinese Government will sign bilateral cooperation agreement with more countries to improve the macro environment of overseas contract projects. Doing so can help expand markets that have been very hard to enter under the government cooperation framework. China sent 220,000 people abroad for foreign labor cooperation from 2004 to 2013, with the average annual increase in their numbers amounting to 15%. These individuals have gone to over 180 countries and regions, working mainly in manufacturing, construction, shipping, IT, agriculture, catering, and social services (see Figure 2.16).

Problems in the globalization of Chinese enterprises

The globalization strategies of some enterprises are unclear and not well planned

Because globalization is a long-term development goal that is highly unpredictable, firms can hardly expect to find a standard answer for whether and when they need to go global and at what developmental stage that should be done. For Chinese companies, their first task before going global is to plan strategically by carefully exploring the global trends and changes likely to occur over the next few years in their respective industries. In particular, they need to ask, “Which changes and trends can be better managed through globalization?” They should

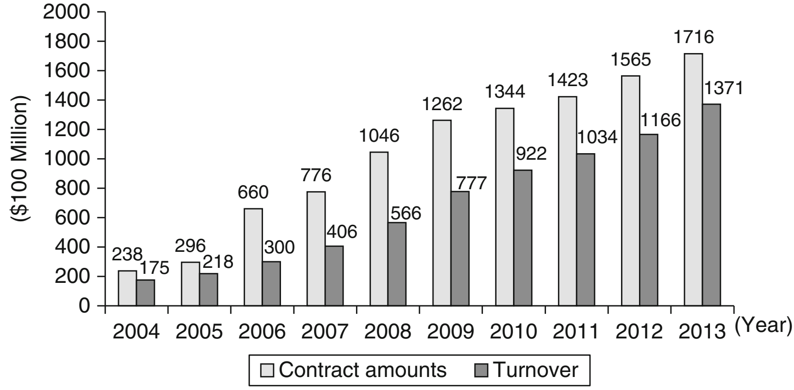


Figure 2.16 Amount of signed contracts and turnover of overseas contract projects

Source: Figure created by CCG with data from the Statistics Center of China National Government Ministry of Commerce and National Bureau of Statistics of China citation, data retrieved from http://data.mofcom.gov.cn/channel/includes/list.shtml?channel=dwjjhz&visit=C, http://data.stats.gov.cn/search.htm?s=对外工程承包.

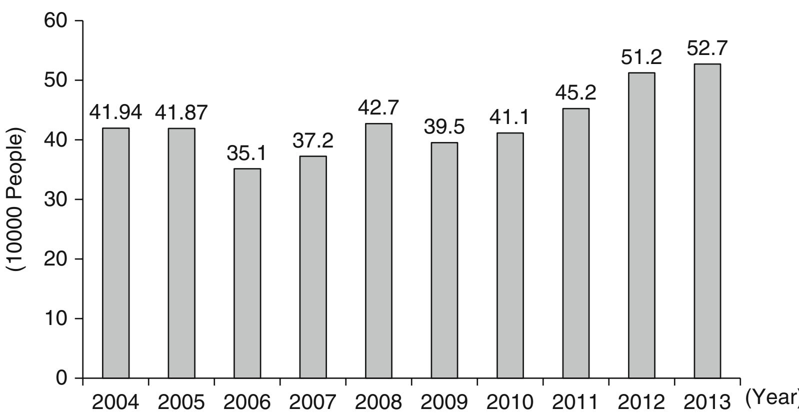


Figure 2.17 Trend in Chinese labor services exports

Source: Figure created by CCG with data from the Statistics Center of Ministry of Commerce and National Bureau of Statistics of China citation, data retrieved from http://data.mofcom.gov.cn/channel/includes/list.shtml?channel=dwjjhz&visit=C and http://data.stats.gov.cn/search.htm?s=对外劳务合作.

also consider how going global can help them benefit from these changes and trends. By doing this, firms can accurately gauge shifts in the world marketplace and the opportunities and challenges such changes pose for their efforts to go global. Companies investing abroad without first fully investigating conditions overseas or formulating clear strategies often run into operational difficulties such as financial pressures brought on by bidding high for a project. Because the global industrial structure and trends are changing, companies must analyze their own strengths and weaknesses as well as industries and markets to decide whether and when to go global and to properly implement globalization strategies.

Risk management needs to be improved

Because most Chinese companies lack experience in globalization, they tend to have ineffective risk management procedures. This is especially true for legal and political risks, which have been the biggest risks for the globalization of Chinese enterprises. CCG has collected and analyzed 120 typical investment failure cases[38] (hereafter referred to as "failure models") from all the ODI projects done between January 1, 2005, and June 30, 2014. According to this analysis, 25% of the cases failed because of political reasons, 8% because of obstruction from political parties in host countries, and 17% because of political unrest and changes in local governmental leadership. Political and social unrest can lead to huge losses. For example, China had over 50 major ODI projects in 2011 in Libya with a total amount of over $18.8 billion, only to have most of them aborted by the uprising against Qaddafi and subsequent civil war and chaos.[39] In May 2014, riots in Vietnam caused great losses for Chinese firms operating in Pingyang province. With the onset of the recent worldwide wave of democratization, which began with the "Arab Spring" in Tunisia, many developing countries with geopolitical advantages have become high-risk locations for international investors.

Legal risk is another major potential pitfall for ODI by Chinese firms. Policies and laws for FDI, and regulations related to national security, anti-monopoly, environmental protection, labor, and taxation, along with trade restrictions in various countries, differ and are always changing according to the volatile economic environment. This has meant that the legal risks for investing in potential host countries are always going up. Moreover, Chinese companies are just beginning to undertake globalization, and most of them are unfamiliar with the laws in foreign countries. This makes the legal risks associated with ODI for such firms especially high. According to CCG's analysis of the failure models, 16% of them were directly or indirectly caused by legal factors, among which a third stemmed from ignorance of or disobedience of the law, with another third being due to lack of familiarity with labor statutes. Chinese firms have also not been good at using laws to safeguard their interests and rights, leading them all too often to turn to the Chinese Government and its foreign embassies for help. Fortunately, Ralls, a company affiliated with the Sany Heavy Industry Group, won a lawsuit against America, providing a new lesson for Chinese enterprises investing abroad.

The narrow financing channels for small to medium-sized enterprises (SMEs) is raising their ODI financing costs

According to a CCG investigation of and statistics from the CAIEC and CCPIT on the globalization of Chinese business enterprises, 30% of globalizing firms are unsatisfied with the current financing service for ODI. Some 68.4% of them want government financial support for such activity. The investigation also shows that as most major state-owned enterprises and private firms are listed companies, funds from capital markets constitute the major source of ODI financing. Moreover, most commercial bank loans, policy-based lending, and M&A loans currently flow to major state-owned enterprises. All of this makes it very hard for SMEs to obtain the financing needed to go global.

According to the CCG investigation, funding for SMEs comes from mainly three sources. The first source is the company's own savings. About 56.6% of the investigated firms used their own funds for overseas investment. As these funds were small and SMEs have lower risk tolerances, they have found it hard to operate globally over the long run. A second source of financing for overseas expansion by SMEs has been domestic financial institutions and their overseas branches. Because SMEs are not large and strong firms with well-established connections, only a few can get long-term loans from banks. Thus, just 17.4% of the investigated enterprises acquired their ODI funding from domestic banks. Third, SMEs obtained 14.3% of their funds for ODI from capital markets. The high costs faced by SMEs in financing overseas expansion have certainly reduced their competitiveness in going global.[40]

Some companies do not cooperate with other Chinese firms when undertaking ODI

In recent years, growing numbers of Chinese companies have been joining in the increasingly fierce struggle to seize global business opportunities. Thus, some projects, notably constructing power plants, dams, roads, and railways in Africa, Latin America, and Southeast Asia, were even bid on by several Chinese enterprises. Some of them kept cutting their prices to get the order, while others cut costs lowering the construction quality after being awarded the job. These practices, along with the breaking of contracts by a few firms, has not only generated significant losses for Chinese companies, but stained their image abroad as well. Price competition is just a way of gaining market share. In mature markets, companies mainly boost market share by accepting lower profits, while at the same time improving the quality of their products and services. Chinese enterprises going global should learn how to use these strategies and cooperate with international enterprises.

The globalization of Chinese companies investing abroad is still low

Based on a huge number of ODI cases, CCG has formulated an evaluation system for assessing the globalization of Chinese enterprises. This system employs as its criteria investment efficiency, use of overseas talent, penetration of the overseas market, CSR, and industry chain M&A. Judging from CCG's analysis of public materials and statistics, the general level of globalization among even Chinese companies investing overseas is not high. According to the evaluation of the China Enterprise Confederation and China Enterprise Directors Association on overseas turnover and assets and the percentage of foreign employees, the average globalization index for the 100 Chinese multinational enterprises considered here is 12.9%, much lower than 62.3%, the average level of the world's top 100 multinational enterprises, and much lower than 39%, the average level of the top 100 multinational enterprises from developing countries.[41]

The globalization of talent is an important measure of a company's globalization. After analyzing the employee structure and recruitment system of the overseas subsidiaries of Chinese enterprises conducting nonfinancial ODI, CCG found that on average these firms score low on this crucial yardstick of business enterprise globalization. The share of foreign employees, managers, and members of the board of directors in such firms is quite low. Most of their lower level staff and top management have instead been sent from Mainland China, with the small numbers of foreign employees coming mainly from developing countries. According to statistics from the Ministry of Commerce, by the end of 2012, 16,000 organizations in China had invested in 22,000 companies across 179 countries and regions. Chinese companies at that time had 1.5 million overseas employees, of which 709,000 were foreigners. Out of this total, only 89,000 came from developed countries. As for the past ten-year distributions of foreign employees in overseas Chinese companies, the percentage of foreigners in the total workforce outside of China employed by overseas Chinese companies exceeded 50% in just two years, 2010 and 2011.[42]

Intermediary agencies for globalization service have not been fully used

The intermediary agencies for ODI services fall into two categories. The first is for special services such as accounting, law, and asset appraisal firms. The second category includes providers of general services such as investment and financial advisng as well as investor relations and management consultancies. These intermediary agencies have accumulated a vast store of information and have other resources to lower ODI risks, which makes them an important asset for Chinese firms seeking to go global. Their due diligence investigations can provide scientific feasibility assessments and discern legal and financial risks to help businesses make the right decisions regarding overseas investment projects. As the fees charged by foreign agencies are very high, some Chinese companies have eschewed going to these intermediaries in order to save costs. But this penny-wise, pound-foolish behavior has caused them to encounter expensive operational troubles caused by their inexperience and failure to properly perform due diligence. Many agencies do charge lowers fees for ODI service; however, the quality of service they offer tends to be lower as well, so Chinese firms going global should trust only the top international intermediary agencies and build a qualified consulting team before investing abroad.

Chinese firms need to improve their ability to deal with the complex foreign political and social environments

CCG's analysis of cases of failed Chinese ODI over the past five years found that Chinese companies investing abroad have faced many challenges stemming from the complex political and social environments of the places they wish to do business in. Some Chinese ODI projects were put on ice because the companies had failed to cultivate good relations with key political and social groups. These actors then opposed and blocked Chinese ODI efforts. According to CCG's investigation and analysis, Chinese firms have made three major mistakes in managing their relations within the host countries. The first is relying solely on the relationship with senior officials in foreign government. Some foreign governments are highly unstable, so relying exclusively on such ties can arouse public opposition and even collective protests against Chinese companies and their ODI projects. The second is ignorance of opposition groups as well as the local media and NGOs (nongovernmental organizations), all of which play a key role in influencing the public opinion, particularly during elections. The third is the failure of firms to fulfill their CSR commitments. While operating globally, Chinese firms should strive to help improve the overall economy and employment opportunities in the local overseas communities in which they do business through the investment projects. Hence, CSR is a key part of CCG's system for evaluating the globalization of Chinese businesses.

Management of cultural differences still needs to be improved

Various cultures, be they global or national, unique or diversified, coexist in today's world. Western culture represented by the United States and Europe, East Asian culture represented by Chinese Confucianism, Islamic culture represented by Muslim religious belief, Indian culture represented by Hinduism, and a myriad of cultures are blended together by globalization into a worldwide cultural mosaic. The languages, culture and customs, ideologies, value orientations, and religious beliefs in various host countries all influence ODI undertaken by Chinese companies. In addition, the great differences in the business cultures of Asia versus the West can create difficulties for investment and management. According to CCG's analysis, many Chinese firms experienced failure in undertaking ODI not because of shortcomings in areas such as technology or capital, but on account of cultural differences and their failure to effectively manage them. According to that investigation, less culturally inclusive host countries pose greater investment risks for a company. To safeguard their interests and investments, Chinese enterprises going global should therefore respect the culture and customs of host countries and manage the risks caused by cultural differences.

Suggestions for promoting the globalization of Chinese enterprises

The Center for China and Globalization proposes the following measures for solving the problems of the globalization of Chinese enterprises.

Reform the ODI approval and management system

As the globalization of Chinese business enterprises develops, the governmental approval mechanism for ODI has also improved. Nevertheless, although the National Development and Reform Commission and Ministry of Commerce greatly lowered the threshold of the examination and approval procedure in 2014 through the Contents of Investment Projects Approved by Chinese Government (2013) issued by the State Council, this latest reform does not go far enough. CCG suggests that the recording and examination and approval system should not take effect until the investment has been made. It also believes that the existing restrictions on the investment amount, destination countries, and industries ought to be removed, and that the government should not interfere with the ODI decision-making of companies.

Moreover, more attention must be paid to standardizing the management of state-owned enterprises in foreign countries, as opposed to simply supervising and regulating them. Steps also have to be taken to build scientific corporate governance structures in Chinese companies going global conforming to the laws in host countries and modern corporate management systems. The rights of recruitment, salary management, and encouragement and performance assessment should be passed on to managers of the enterprises. Improving the corporate management and risk management to help maintain and appreciate the state-owned assets is another key priority.

The decision of the Central Committee of the Communist Party of China on Some Major Issues concerning Comprehensively Deepening the Reform announced during the 3rd Plenary Session of the 18th CPC Central Committee pointed out that a mixed ownership economy is the goal of state-owned enterprise reform. It added that as part of the mixed ownership economy, ODI should undergo further development. Thus, the supervision and management of overseas state-owned enterprises will become a new issue for Chinese companies investing abroad.

Improve the taxation and financial support for ODI

Though it has been significantly improved, China's taxation and financial policy system on ODI could be made even better.

The first way this could be done would be for China to further support its existing taxation and finance ODI policies regarding investments in energy, other resources, and new industries, especially high-tech. But the country also needs to optimize the ODI income tax system by further lowering taxes on important ODI industries and enhancing the transparency and execution of such policies.

The second area for improvement lies strictly with finance. China should accelerate its financial reform, building a multilayered capital market to encourage ODI financing through the issuance of stocks and bonds to provide more funding for MSEs seeking to invest overseas. It should also promote cooperation between banks and firms wishing to go global; build an ODI insurance system, especially for SMEs; and improve the bank financing channels for such companies and other private enterprises seeking to invest abroad.

Third, China ought to build up ODI funding for certain countries, regions, and industries; improve the financing environment for SMEs and private companies; and create an ODI social fund.

Fourth, the Chinese Government must make the globalization of the RMB (renminbi) under the framework of cooperation among other major Asia currencies a high priority. In particular, offshore financial markets ought to be set up for the currency, while the RMB should be made into a key regional Asian currency and integrated into international financial settlements and transactions. All of this will also necessitate loosening existing controls on global financial transactions. That shift, in turn, will help boost Chinese ODI.

Last, China should promote ODI and M&A activity on the part of its banks and other financial institutions, build more branches of them overseas, and encourage enterprises conducting ODI to finance their projects in foreign capital markets.

Accelerate the legislative process of ODI laws

As mentioned above, since the announcement of Go Global strategy by China's Central Government in 2000, the State Council, National Development and Reform Commission, Ministry of Commerce, and the State Administration of Foreign Exchange have all formulated ODI policies and implementation suggestions that have greatly improved and standardized Chinese ODI. However, as the international economic environment and Chinese globalization continue to rapidly change and develop, some policies and regulations can no longer accommodate new trends and imperatives in Chinese oversea investment. In addition, policies and measures need to evolve into legal statutes to better promote ODI by Chinese firms. CCG therefore suggests that China accelerate the formulation and implementation of Outward Direct Investment Law as the basic law governing Chinese ODI. Doing so will provide the country with a single overarching legal framework for individuals and firms investing overseas, foreign investment patterns, examination and approval procedures, financing and taxation policies, management departments and their functions, intermediary agencies, and dispute settlement.

Improve global management ability

Though Chinese firms have acquired much successful experience doing ODI, many problems still need to be solved in their efforts at going global. These companies need to formulate better strategies, improve their management systems and operating ability, strengthen the sense of cooperation when expanding abroad, and fulfill their CSR commitments. As for strategies, enterprises have to attach great importance to global operation strategies based on thorough investigation to ensure that such planning leads to appropriate decisions and sustainable globalization.

With respect to the management systems, companies ought to standardize their corporate management structures, implementing highly efficient decision-making systems to ensure compliance with the rules and laws of the global marketplace. These systems must have a reasonable financial and human resources basis that not only empowers Chinese companies investing overseas, but also localizes the management and operation of their foreign subsidiaries so as to ensure a smooth relationship between the parent and subsidiary firms.

Enterprises need to carry out CSR to improve their global image, while respecting the laws and cultural practices of the host countries and behaving as good corporate citizens when it comes to protecting the environment. Companies must also strengthen communication with local communities and residents in host countries and actively participate in community and philanthropic events. In doing this, firms need to devise a systematic system for effectively carrying out CSR and to develop close links with the local media to publicize their good work in this area.

Conduct international investment through cooperation with enterprises in and out of China

To achieve mutual benefit, Chinese companies should cooperate with each other and with foreign firms in conducting ODI. First, Chinese enterprises can build up and operate joint ventures with host country companies when doing ODI. In the very beginning of China's Reform and Opening Up policy, most foreign firms invested in the country by setting up joint ventures with Chinese enterprises. This experience provides a good model for Chinese companies currently investing abroad. Second, Chinese companies should strengthen international cooperation, share information with others, and act in ways that complement the company's strengths with the strengths of other companies so as to avoid vicious competition. Third, Chinese companies should learn from the multinational management and risk management experience and skills of top foreign enterprises. Fourth, Chinese companies should strengthen their cooperation with banks, venture capitalists, and other financial institutions to build a consortium integrating such funding with industry-specific funding. Last, Chinese companies syould cooperate with local NGOs and industry associations in host countries to win their support.

Promote the development of Chinese ODI services providers

Because top international agencies providing ODI services have accumulated great experience in this area, Chinese enterprises investing abroad are well-advised to make full use of their expertise to guarantee a successful investment. The Chinese Government ought to strongly promote the development of such agencies in China by building a legal protection system for them and guiding and standardizing their formation. The government should also build supervision and management systems for ODI services providers, urge industry associations to standardize ODI services provision, and create a uniform set of industry-wide rules and management systems to ensure the service quality. Finally, the government must also enhance the education of practitioners to help them behave professionally and build trust among their clients, while punishing the ones that fail to follow legal regulations.

Build a risk management system through cooperation

In recent years, the increasingly complex international economic and political environment, coupled with the expansion of China's ODI, has meant that Chinese firms going global are not just encountering the usual management risks associated with this activity. These companies are also facing a larger variety of political and legal risks. Given such changing circumstances, the government, businesses, and third parties must cooperate in building a management system to handle risk and share all of the relevant information.

The government should improve the legislative safeguards for Chinese ODI. In particular, it needs to formulate an ODI Insurance Law and create insurance bodies and emergency funds for ODI, while signing bilateral agreements with more countries aimed at protecting Chinese overseas investments. The Chinese Government should also build systems for evaluating and providing early warning about ODI risks, and set up an emergency mechanism for dealing with them. Another urgent priority is devising information collection and release procedures to help overseas embassies and consulates in providing investment intelligence for Chinese firms investing abroad. The consular protection system of China to ensure the security and interest of Chinese people and enterprises needs to be enhanced as well. Finally, greater funding should be provided for research on companies going global by nongovernmental think tanks and other research institutions.

Companies ought to build a risk management system to forecast, prevent, and control risks. They should improve their internal management and supervision structures, and learn from international experience to identify, control, and deal with risk in an effective and scientific manner.

The third-party organizations must devote greater efforts to identifying risks, whereas think tanks and other institutions conducting related research ought to promote and share their research on ODI risks. The latter should provide advice for companies going global regarding the choice of investment projects, partners, and multinational operating strategies.

Build a talent system to support globalization and implement an open talent policy

China has recently actively participated in the global competition for talent, with its government recently formulating the *National Medium and Long-Term Talent Development Outline (2010–2020)*, which devised a long-term development strategy for acquiring overseas talent and made it a top priority in the globalization of the Chinese economy. Globalization is a new issue for Chinese enterprises, and the current development of the global economy has increased the requirement for recruiting high-quality personnel. Generally speaking, China lacks an equivalent to the international elite managerial talent who are vital for ensuring the success of ODI projects undertaken by foreign companies. According to an April 2008 survey of Chinese business enterprise managers conducted by the *McKinsey Quarterly*, the executives cited lack of suitable talent as the biggest obstacle they faced in expanding overseas. The report *Can Chinese Companies Win in Global Big Leagues?* issued in 2010 by the Accenture Management Consulting Company pointed out that one of the major problems of Chinese globalization was the shortage of international talent with the requisite foreign language skills, business acumen and experience, and legal and financial expertise.[43] As global talent is also a key factor influencing the success and failure of Chinese ODI, creating an international talent support system is an urgent priority.

First, international elites provide intellectual support for ODI. Building a system for nurturing international elites must therefore be a key component of China's national talent strategy.

Second, China should implement the open talent policy and make full use of overseas Chinese professionals. According to the *Report on Overseas Chinese Professionals*,[44] the overseas pool of such professionals

China could draw upon amounted to some 4 million, most of whom are familiar with Chinese business enterprises and the local policy environment. These people are very important assets for globalization of Chinese enterprises.

Third, China should make full use of returnees to help promote the globalization of Chinese enterprises. According to the *Report on the Development of Chinese Returnees (2014)*, each year over 300,000 overseas-educated scholars come back to China, most of whom are familiar with foreign languages, overseas cultural environments, and the operation of Chinese enterprises, giving them deep professional knowledge and expertise regarding business enterprise globalization.[45]

Fourth, the government can build a special fund for nurturing international elites. In particular, it should encourage businesses to nurture international elites with knowledge of finance, overseas investment, foreign languages, business affairs, accounting, and law.

Last, China should devise attractive policies and simplify entry and departure procedures for highly quality talent. According to our knowledge, Huawei currently has over 35,000 staff working abroad[46] and Lenovo has over 30% of its entire staff working abroad.[47] The visa procedures for these employees have influenced to some degree the operation of these firms. China urgently needs to simplify the visa application procedure, increase the number of countries whose nationals are exempted from the visa application, extend the length of legal stays in China, and institute new rules regarding social insurance and residence for non-Chinese talent living in the People's Republic. In addition better working conditions and services ought to be provided to international managerial and business elites.

Conclusion

Since the Chinese Communist Party and Government first issued its "Go Global" strategy for China's business enterprises, increasing numbers of firms invested overseas under the influence of economic globalization. The Report to the 18th National Congress of the Communist Party of China stressed the urgency of accelerating the pace of Chinese firms going global by enhancing their international operating capacity and developing a strong cohort of domestic multinational enterprises. The *Decision of the Central Committee of the Communist Party of China on Some Major Issues concerning Comprehensively Deepening the Reform* issued during the 3rd Plenary Session of 18th CPC Central Committee clarified the Go Global strategy, encouraging firms and individuals to boost

ODI. It also permitted contract engineering and labor projects in foreign countries and supported Greenfield Investment, M&A, securities investment, and joint ventures. An outline, clear policy and legal framework, and road map for ODI having been devised, the Decision will raise the overseas investment activity of Chinese firms to a new level.

The analysis of the progress of Chinese firms going global and model cases of such activity shows that as the reform and opening up of China's economy proceeds, the competitive strength of its firms and their globalization will also rise. Firms like Lenovo, Huawei, Wanxiang, CNOOC, and Minmetals are among a few of the many examples of this phenomenon. However, at the same time, most Chinese firms are still newcomers to this game and their globalization level remains low compared with top multinational enterprises in developed countries. Such companies still have a long way to in gaining experience and expertise in expanding abroad.

Through its research and analysis of the globalization of Chinese enterprises, CCG seeks to provide a reference for Chinese enterprises going global, assist governmental bodies to make appropriate policies, and cooperate with research institutions studying this issue. In so doing, it can promote the globalization of Chinese enterprises, increase their worldwide influence, and contribute to the development of the world economy.

3
Ten Strategies for Chinese Companies Going Global

Introduction

In the wake of the 2008–2009 financial crisis rising uncertainty in the world economy created opportunities and challenges for Chinese companies going global. Studying their efforts has both theoretical and practical significance. By undertaking a number of detailed analyses of long-term individual cases of Chinese enterprise globalization, this chapter summarizes and puts forward ten strategies these firms have used in expanding outward. As such, it serves as an important guide for these companies in their efforts to effectively invest overseas.

Analysis of environmental factors

The international environment after the financial crisis has created greater opportunities for Chinese companies to go global and increased their incentives for doing so. To start with, in the context of a slow global economic recovery, governments around the world have relaxed examination procedures for overseas direct investment (ODI) projects initiated by Chinese firms, in the hopes that activity will create jobs and boost their countries' economies. At the same time, these countries have increased their trade barriers in response to economic hard times, which has hurt Chinese export manufacturers. This has provided such companies with even greater incentives to expand their ODI, as a way of circumventing tariffs and other restrictions on trade.

Two main domestic factors propelled Chinese ODI in this period. The first is China's status as the world's largest economy – given this size, a large number of Chinese firms now have the scale and resources needed to go global. At the same time, the nearly $4 trillion of foreign exchange reserves accumulated by China and the accelerating process of Renminbi globalization provided an important material basis for the Chinese firms to go global.

The global environment

- Recovery of the global economy:

After the 2008–2009 global financial crisis, governments worldwide one after another instituted steps to stimulate the economy. This caused their interest rates to plunge to historic lows, while also making for ample liquidity on global financial markets. These factors combined to create a favorable international economic environment for ODI by Chinese enterprises.

- Less stringent Approval Procedures and Supervision of Overseas M&A

After the financial crisis, foreign countries, especially those in Europe and the United States, began to relax their rules for approving M&A initiated by Chinese state-owned enterprises. This shift, coupled with looser oversight of these firms after making such acquisitions, will make it easier for them to go global. And the significant drop in the market value of many European and American enterprises also provides Chinese enterprises a window for acquiring them at fire-sale prices.

- Increased trade barriers

After the financial crisis, trade protectionism was once again on the rise. For example, the U.S. Government issued the "buy American" policy. These rising trade barriers will limit exports of goods made in China, providing a further spur for Chinese companies to engage in ODI, which enables them to jump over foreign tariffs and non-tariff restrictions on trade.

The domestic environment

- GDP

China's GDP reached $9.2 trillion in 2013, bringing its annual per capita GDP up to $6747. Based on the previous international experience of other countries that have become major overseas investors, China will enter into a new stage of globalization once the country's per capital

GDP reaches $10,000, further accelerating the already rapid globalization of Chinese enterprises.[1]

- Outward Direct Investment

As was noted in the previous chapter, by 2014 the gap between Chinese ODI and inflows of Foreign Direct Investment (FDI) into the country had narrowed to just $3.6 billion. However, given the double-digit growth of Chinese ODI and very slow increase in FDI inflows to China, the former will exceed the latter in 2015 or 2016 at the latest. China will then be a net exporter of direct investment for the first time in its history.

- Foreign Exchange Reserves

China's foreign exchange reserves increased by more than $500 billion in 2013 before stabilizing through 2014, standing at nearly $4 trillion by the end of that year. Huge foreign exchange reserves will provide a solid material foundation for Chinese companies to go global.

- RMB Globalization

The globalization of Renminbi continues to proceed. The cross-border Yuan-denominated trade settlement in 2013 reached 4.63 trillion Yuan, up 57% from a year earlier.[2] According to a report by the Society for Worldwide Interbank Financial Telecommunications (SWIFT), the Chinese Yuan has become the second most commonly used currency for financial international trade financing after the U.S. dollar. A total of 174 countries and regions are involved in cross-border RMB settlement with China. In this process, companies can be free from the risks caused by exchange rate fluctuations. With the increase of China's business and financial activities, there will be growing market demand for cross-border use of the RMB.[3] Thus speeding up the pace of RMB globalization will make it easier for Chinese enterprises to go global.

Ten strategies for Chinese companies going global[4]

- The Haier Strategy: Set up Overseas Manufacturing Operations

Strategy definition: Establish factories overseas to localize R&D, production, marketing activities.

Typical case: Examples of this strategy include Haier, FuyaoGlass, Hisense, and SanyHeavy Industries. Of these, Haier can be seen as a paradigmatic case. Haier's has localized the trinity of R&D, production, and marketing in the United States, Europe, and other places. Haier American design, marketing, and production centers are located in Los Angeles, New York, South Carolina, respectively. Haier's European R&D, production, and marketing centers are located in Germany (Nuremberg), Italy, Poland, and France (Paris), respectively. By developing electrical appliances to meet the demand of local customers, Haier better fulfilled the needs of these foreign markets and improved the competitiveness of its products, while also establishing a good corporate image and promoting its brand. However, one main drawback of this model is that most of the employees are local people. In addition to the cultural differences, the cost pressures are also greater.

The advantages and other disadvantages of this strategy are obvious. As for the advantages, both the host country and the multinational company derive benefits from this model. The host country gains from the jobs for local workers created by the FDI, which boosts the overall economy and increases government tax revenues. At the same time, multinational companies are able to avoid non-tariff barriers and other obstacles to selling their goods outside of their home country. As for the disadvantages, the strategy makes very large demands on the long-term

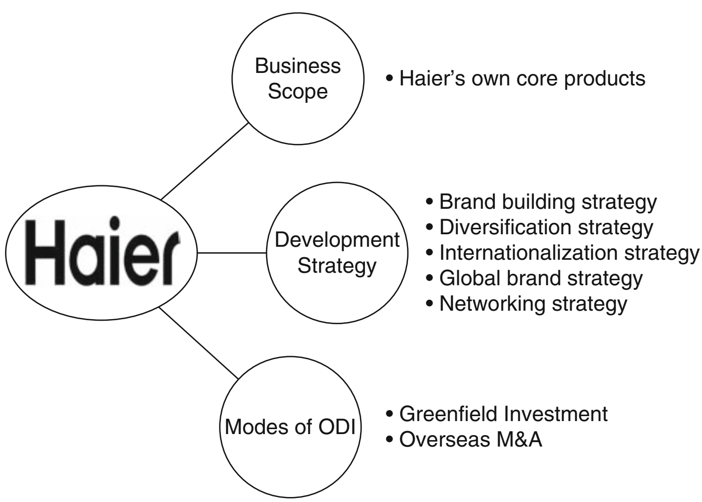


Figure 3.1 Globalization strategy of Haier

Source: Figure created by CCG with data from Haier Group website: http://www.haier.net/en/.

planning skills of multinationals. This is because the project construction cycle is relatively long, thereby increasing uncertainty. Hence, only companies who have strong monopoly power and good brand reputations can choose this strategy.

- The Huawei Strategy: Going from Rural to Urban

Strategy definition: In this strategy, companies focus on establishing and developing their own technical system to grasp core independent intellectual property rights. The sequence of target markets in undertaking the overseas acquisitions target market is very clear: first to occupy the market in the developing countries and then to conquer the developed markets.

Typical case: Examples of companies following this strategy include Huawei and Zhongxing. Huawei is a typical representative of this strategy; its globalization path began in Russia, before moving on to emerging markets such as Africa, Southeast Asia, and the Middle East. After establishing bases in "rural" markets within these countries and regions, Huawei began to enter developed countries in Europe and North America. In 2013, the global sales of Huawei reached 239 billion Yuan, and about 65% of its revenue came from overseas markets.

Huawei's pattern of surrounding the cities from the countryside offers a successful technology-oriented strategy for Chinese firms going global. However, because the European and American companies have dominated high-tech, Huawei's efforts to expand overseas, especially into developed markets, have faced a series of obstacles. Carrying out

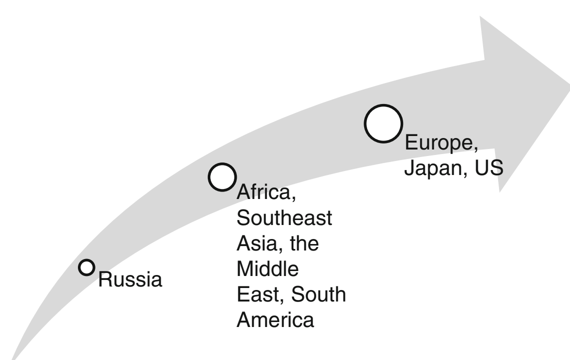


Figure 3.2 International path of Huawei

Source: Figure created by CCG with data from the Huawei Website http://www.huaiwei.com/en.

technological innovation and avoiding intellectual property disputes while effectively conducting "public relations and lobbying" with developed countries will be key issues for companies such as Huawei in the future.

- The Lenovo Strategy: Buy the Ship and Sail to Sea

Strategy definition: This pattern involves acquiring some part of a well-known international company to obtain its mature brand, technology, and channel resources in order to globalize.

Typical case: Companies that have followed this strategy include Lenovo and Geely. In 2005, Lenovo bought IBM's PC division and got on to the Fortune Global 500. In addition, Lenovo planned to enter the global cell phone market by acquiring Motorola Mobility. Through the acquisition of Volvo in 2010, Geely not only promoted its own brand awareness, but also obtained a passport to enter the international market. After years of consolidation, Lenovo and Geely's business performance has followed a solid growth trend.

The Lenovo strategy does not have universal applicability. In fact, the requirements for this "snake swallowing the like" M&A pattern are very high. First, companies must have adequate reserves and accessibility of financing channels to ensure funding for the whole process from the start of the M&A to the end of the integration operation. For example, the financing of Geely's acquisition of Volvo was from the very start backed by the Chinese Government. Second, after completing the merger, enterprises must balance the contrasting cultures and brands of the integrated firms to achieve a better synergy between them.

- The TCL Strategy: A Joint Venture (JV) Approach

Strategy definition: Through joint venture, companies can cooperate with internationally famous brands, thereby opening the door to the international and foreign markets.

Typical case: TCL is an early practitioner of this model. In 2003, TCL and Thomson set up a joint venture company, TTE; TCL had a 67% stake in the newly formed enterprise. Based on worldwide color TV sales, after it was set up TTE became the world's largest color TV manufacturer. In 2004, TCL and Alcatel joined together to set up TAMP. After its establishment, TCL moved from being the 15th to the 7th largest global mobile telephone company. However, TCL's later merger with Thomson and Alcatel has not achieved its desired goal. Three factors account for

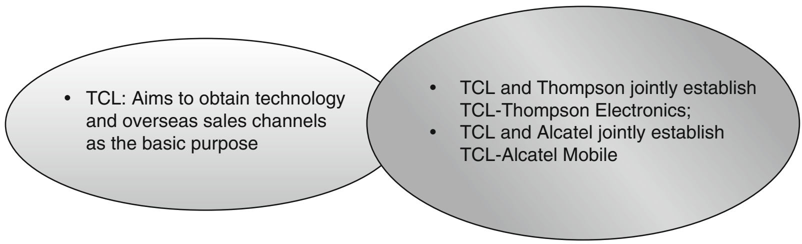


Figure 3.3 TCL joint venture strategy
Source: Figure created by CCG with data from the TCL website http://www.tcl.com/.

this failure: first, the companies were not integrated after being merged; second, mistakes were made regarding advanced technology and brand positioning; and third, costs of this deal were not accurately assessed.

Most companies taking the joint venture approach are trying to obtain more resources, such as overseas brands, technology, and markets. The key to the success of this model is to properly determine two things. The first is choosing the right joint venture partners. Here companies should combine their own development strategy and competitive factors, including their strong and weak points, and carefully create the joint venture partner selection criteria. Second, firms should conduct comprehensive in-depth market research. This investigation ought to provide an enterprise with an omnidirectional grasp so it can make accurate predictions on market demand, joint technology applicability, and brand influence.

• The China National Offshore Oil Corporation Strategy: Resource Acquisition

Strategy definition: In order to ensure national energy security, large state-owned enterprises are seeking overseas M&A strategic resources. Ensuring access to scarce and strategic global resources such as energy has become one of the key factors for sustaining economic growth around the world. Against this large general backdrop, going global to acquire overseas strategic energy and resources has become the energy strategy of choice for many countries.

Typical case: This strategy is used mainly by large state-owned enterprises (SOEs) searching for natural resources and energy-based commodities, such as the "Three Barrels of Oil."

One good case in point here is CNOOC, which is one of China's three big oil companies (the other two are Sinopec and China National

Petroleum Company). CNOOC has undertaken more than ten overseas energy acquisitions. The acquisition of Canadian energy company Nexe in February 2013 is so far the biggest of these acquisitions, with a total cost of about $15 billion. Under the guidance of national energy security strategy, more and more energy companies, Chinese and foreign, will be going global to find new oil, gas, and mineral resources.

In the case of critical and scarce strategic resources, the overseas market maintains a high level of vigilance and strict review procedures regarding proposed M&A initiated by Chinese SOEs. This is also an important reason that some of these deals have failed to go through. High profile cases of unsuccessful mergers include Chinalco's rights issue with Rio Tinto and China Non-Terrous Metals Mining Corporation's effort to buy Australian rare earth mining companies.

Although SOEs are a main player in the effort to acquire overseas resources companies, they are by no means alone in this game. Private firms such as the Zhenghe Group, Fengfan Power, Yaxing Chemicals, and Hammer Technology have also been very active in the quest to snap up overseas energy companies. If the SOEs and private enterprises cooperate with each other in purchasing these foreign firms, they will mutually benefit each other. Private companies can rely on SOEs,

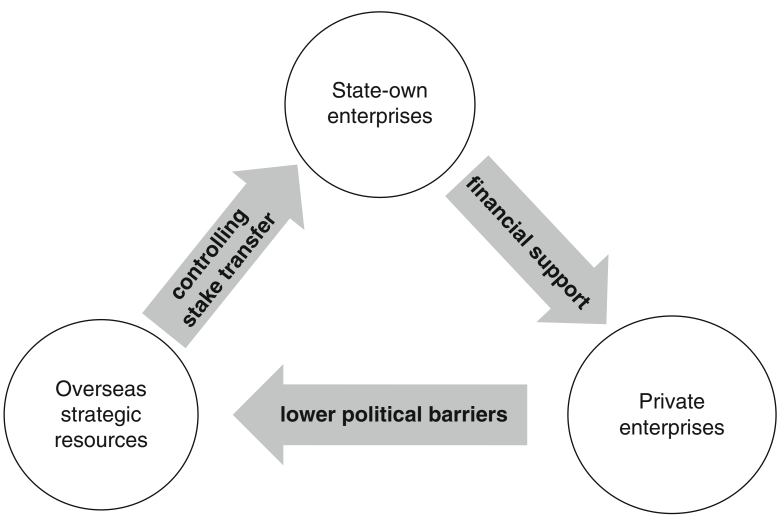


Figure 3.4 State-owned and private enterprises cooperating in overseas strategic resources M&A

Source: Figure created by CCG with data compiled by the organization.

which have good access to financial channels for funding overseas M&A to fund such deals. At the same time, the involvement of private companies, which are less connected to the government than the state-owned firms, can help reduce foreign political opposition to Chinese acquisition projects. By working together, then, these companies can achieve a win-win outcome.

- CIC Strategy: Strategic Equity Participation

Strategy definition: The strategy involves using sovereign wealth funds as the main funding component of overseas investment done through equity investment.

Typical case: With a total of $200 in registered capital, China established China Investment Corporation in 2007 to maintain or increase the value of the foreign exchange reserves. As of late 2013, CIC has total assets of about $650 billion, with its overseas investment amounting to more than $200 billion. The global asset allocation of CIC includes stocks and bonds, energy resources, infrastructure, and other long-term direct investment assets.

After seven years of operation, CIC has acquired considerable useful experience, becoming a savvy and mature investor with good risk management capabilities. This enabled CIC to attain an over 8% yield on its overseas investments in 2013. However, CIC's long-term funding mechanism is still not perfect. Foreign sovereign wealth funds tend to have a stable source of funds. For example, Norway funds its sovereign wealth fund through the fiscal surpluses generated by oil revenues, while Kuwait and Abu Dhabi in the Middle East also make use of their petroleum riches. The money for CIC's investment fund comes from the foreign exchange reserves, and has received three injections of money from this source since its inception. In addition to the registered capital, CIC has been given about $49 billion of state capital injections. But none of this has amounted to a permanent funding mechanism for CIC.

CIC is investigating Chinese enterprises' overseas investment and cooperation methods to help them prepare for greater competition from foreign firms. This will become the future of Chinese enterprises in going global.

- Wenzhou Strategy: Chinese Private Companies Going Global

Strategy definition: This strategy refers to the manner in which some privately owned Chinese small to medium sized enterprises (SMEs) have gone global in order to promote their competitive products. In so doing, these companies rely heavily on overseas relatives and friends, or other networks.

Typical case: The Wenzhou strategy is a unique and increasingly prominent phenomenon that has emerged over the past ten years. A large and growing number of individuals and small firms from Wenzhou are going global by joining together to establish a "China Mall" with the cooperation and help of overseas local Chinese. One famous Wenzhou-made product, Kangnai Shoes, entered the global market in this manner. Most of the franchise stores globally are invested in by the local overseas Chinese. "China mall" is the big magic weapon of this model. By forming strategic marketing alliances, private Wenzhou businesses have had success in going global together.[5]

Compared to SOEs, small and medium-sized private enterprises have clear property rights and they can make decisions quickly, enabling them to seize opportunities to go global in an early and decisive way. However, such firms also lack the size and financial wherewithal to expand internationally on their own. They must instead use external resources, such as overseas Chinese communities, to help them to do that. According to the *Overseas Chinese Professionals Report 2014* published by the Social Sciences Academic Press, there are close to 4 million overseas Chinese professionals; they are mainly scattered in the United States, Japan, Australia, Britain, and other developed countries and regions.[6] Chinese SMEs can draw lessons from the Wenzhou model to give full play to the power of the overseas Chinese.

- Listed Overseas Strategy: Global IPO

Strategy definition: Getting listed overseas is an important way of promoting the strategy of Chinese companies to go global. To start with,

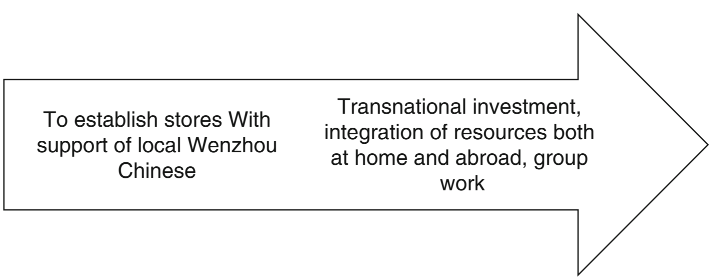


Figure 3.5 Kangnai Shoes globalization strategy

Source: Figure created by CCG with data from Kangnai Shoes website http://www.kangnai.com/.

Table 3.1 Estimated numbers of overseas Chinese professionals in the main areas and regions of the world

Countries & Regions	Number estimates
US	240,000
Canada	26,000
Europe	80,000
Australia	8,000
New Zealand	6,000
Japan	9,000
Singapore	10,000
Total	379,000

Source: Table created by CCG with data from Wang, Huiyao and Miao, Lv. *Overseas Chinese Professionals Report 2014*. Beijing: Social Science Academic Press (2014).

enterprises can make full use of the financing from international capital markets by getting listed overseas. At the same time, through shaping a good corporate image on global capital markets, firms can lay a solid foundation for competing worldwide in various foreign markets.

Typical case: In 2013, a total of 66 Chinese companies got listed overseas, raising a total of $19 billion. Most were listed on the main board of the Hong Kong Exchange, New York Stock Exchange, NASDAQ, Frankfurt Stock Exchange, and London AIM.[7] These firms include Everbright Bank H shares, China Cinda, China Galaxy, Sinopec Refinery Project, Huishan Dairy, Huishang Bank, 58 City, Qunar.com, and a number of other major firms.

Although a large number of enterprises are actively preparing for getting listed overseas, some companies have chosen to get delisted from foreign stock markets. Getting listed overseas brings both opportunity and challenge for Chinese companies. For ones that seek to go global by getting listed overseas, they must establish strong relations of mutual trust with investors and choose a good time to get listed. And while doing all of this, they must also maintain sound operations.

- Setting up Overseas R&D Center Strategy

Strategy definition: In this strategy, companies try to make full use of global resources and scientific talent and technology by setting up R&D centers abroad, especially in the developed countries, or with joint ventures, equity participation, and like mechanisms.

Typical case: Save for companies such as Huawei and Haier, more and more Chinese enterprises are considering establishing a global R&D layout in order to expand abroad. For example, in 2014, Vipshop set up the first overseas R&D center in the U.S. Silicon Valley, and its R&D team is mainly made up of top science and technological talent from China and Silicon Valley.

By setting up overseas R&D centers in developed countries, companies can make full use of the developed countries' advanced technology and first-class scientific and technological personnel. Thus, in addition to setting up overseas research and development centers, Jiangsu, Zhejiang, and other provinces in China are actively exploring overseas R&D institutions to support the efforts of locally based firms to expand abroad.

- Project-Taking Strategy – Overseas Contract and Labor Cooperation

Strategy definition: The project-taking strategy is a more traditional mode of going global, which mainly involves undertaking overseas contract projects. This strategy makes full use of China's advantages with respect to capital and labor.

The labor cooperation strategy uses the comparative advantage of the Chinese labor resources to organize the sending of workers and skilled personnel abroad to undertake contract projects. In 2013, the number of Chinese involved in overseas contract projects accounted for about

Table 3.2 Overseas R&D centers in the first half of 2013–2014

Enterprises	**Time**	**R&D Centers**
China CNR Corporation	2013	CNR and Czech Technical University in Prague (CTU) jointly set up China CNR overseas R&D center
Suning	2013	Suning R&D Center and Research Institute in Silicon Valley
Haier	2013	Haier R&D Center in Japan
Baidu	2014	Baidu set up R&D centers in Japan, Brazil, Thailand and other places, and set up R&D center in the Silicon Valley in the United States in 2014
Vipshop	2014	The first overseas R&D center in the Silicon Valley in the United States
Yili Group	2014	China's dairy industry overseas R&D center was established in the Netherlands

Source: Table created by CCG with data from the organization.

51.4% of the total number who had gone overseas as part of cooperative foreign ventures.[8]

Typical cases of this strategy include a number of internationally well-known Chinese contractors. Some 55 of these enterprises have been listed in the Engineering News Record (ENR) world's 250 largest international contractors, including China Communications Construction, Sinohydro Group Ltd, and China State Construction Company.[9]

To deal with the 2008–2009 global economic downturn, some countries sought to stimulate their economies by increasing spending on public infrastructure projects. These projects will provide market opportunities for foreign contracted business. The Chinese Government is also supporting these firms through tax breaks and cheap credit and loans.

But Chinese enterprises overseas contracted projects also face political and security risks and increasing competition among themselves in this area. Firms therefore need to have good risk assessment capabilities. In addition, while doing their own business, these firms should actively engage with local stakeholders by undertaking corporate social responsibility initiatives in order to earn the stakeholders' respect and support.

Table 3.3 Top 10 Chinese enterprises in the ENR world's largest 250 international contractors

Serial number	Rankings		Company names
	2013	2012	
1	10	10	China Communications Construction
2	20	23	Sinohydro Group
3	24	22	China State Construction
4	25	24	China National Machinery Industry Corporation
5	34	39	China Railway Group
6	43	46	CITIC Construction
7	51	42	China Metallurgical Group
8	53	30	China Railway Construction Corp
9	54	53	Shandong Electric Power Construction, the 3rd Engineering Company
10	56	62	China Gezhouba group co., LTD

Source: Table created by CCG from Engineering News Record. "The Top 250 Engineering Contractors." ENR.com. No date. Retrieved online at http://enr.construction.com/toplists/Top-International-Contractors/001–100.asp.

Summary

When a business goes global, it is carrying out a systematic engineering program, the success or failure of which is determined by a large number of different factors, ranging from economic and political to cultural. A variety of paths exist for expanding overseas, including Greenfield Investment, cross-border M&A, and overseas listing, as well as delivering capital, commodities, or personnel to a particular strategic layout for expanding abroad. By tracking the efforts of Chinese firms to go global over the long-term, we have put forward ten strategies of enterprise globalization. These models are based on the thorough study of a large number of companies that have expanded abroad. They do not differ from each other with respect to having a greater number of globalization success stories or failures. Each has its own successful cases. For businesses, the key lies in choosing the right strategy. In devising a decision calculus for doing that, a company should integrate its own characteristics with that of the industry to which it belongs and factor in the international and domestic economic environment to comprehensively assess whether to go global.

4
Evaluation System and Rankings

With the increasing globalization of economic and business affairs, expanding outward has become less a choice and more a necessity for large numbers of businesses. The growth of worldwide economic interdependence and rising importance of international markets means that such companies must go global in order to ensure their sustainable development. In the case of China, the globalization of its business enterprises further accelerated after the country joined the World Trade Organization (WTO), which led a growing number of companies to target different industries and follow various models while conducting overseas direct investment (ODI). But despite this substantial progress, Chinese firms still face many problems in their quest to go global, and lag well behind firms from advanced economies in this area.

For this reason, a system for objectively gauging the current push from Chinese firms to expand internationally is badly needed. Such a system will be useful not only for determining how well individual firms are doing in this area, but it can serve as a reference point for formulating globalization strategies on the part of these companies and government policies supporting and encouraging firms to go global. In particular, a systematic and comprehensive evaluation of Chinese enterprises' globalization is also very meaningful for investigating and analyzing the "going out," "going in," and sustainable development of Chinese enterprises. This chapter will analyze the trend in the globalization of Chinese business from the vantage points of their globalization strategies, use of worldwide talent, the international market, and corporate social responsibility. These factors will be used to construct an overall yardstick for measuring globalization performance by individual firms.

Theoretical research on evaluating globalization of Chinese enterprises

The rapid growth in the globalization of business worldwide has generated a substantial body of work seeking to devise evaluation indices and models for determining the degree and quality of globalization among companies. This work typically involves large-scale cross-national comparisons, which include Chinese business enterprises.

For example Sullivan[1] examined 174 countries, calculating the average scores of all globalization indices from other studies. He then selected five factors through exploratory factor analysis. This factor analysis served as the basis for the Sullivan globalization formula. In it, Degree of Globalization (DOG) is a function of foreign share in total sales (FSTS), foreign assets in total assets (FATA), overseas subsidiaries in total number of subsidiaries (OSTS), top managerial international work experience (in years) (TMIE), and the physical dispersion of international operations (PDIO). The mathematical formula is as follows:

$$\text{DOG} = \text{FSTS} + \text{FATA} + \text{OSTS} + \text{TMIE} + \text{PDIO}.$$

Whether a firm intends to go global is influenced by the proportion of international work experience in the overall work experience of top managers (this can also be defined as the ratio of their international working hours in a given year to the overall working hours put in during that year).

Another globalization index has been put forward by UNCTAD in its publication, *The World Investment Report 2000: Cross-Border M&A and Development.*[2] This work proposed an evaluation index for gauging the internationalization scale of enterprises. In this particular system, the globalization index (GI) for individual companies is measured by the overseas assets (OA) divided by total assets (TA) plus overseas sales (OS) divided by total sales (TS) plus overseas employees (OE) divided by total employees (TE) divided by three and then multiplied by 100%. This formula is:

$$\text{GI} = (\text{TA/TS} + \text{OS/TS} + \text{OE/TE}) \div 3 \times 100\%.$$

This formula is suitable for all industries and is widely used.

In reaction to the growing momentum for expanding outward by Chinese, enterprises a number of Mainland China scholars have also put forward their own models of assessing the globalization of business enterprises. This research has increased rapidly in recent years.

For example, Lu Tong[3] proposed a "spider net model" of globalization to analyze globalization from six angles. These include methods of cross-border operation, marketing strategy, organizational structure, personnel administration, and financial management. These six factors then went into building a globalization index for individual companies. Each of the six components of business operation has different judging factors for assessing globalization with five degrees. In particular, the individual facets of a firm's operation are scored according to the degree to which it influences the globalization of a company. This exercise serves as the basis for a second index, involving the construction of a six-dimension coordinate system resembling a spider web. Hence, it is dubbed the "spider web" model.

Li Jianling and Wu Guowei[4] argue that technology is the core competitive strength underpinning the globalization development of companies. They analyzed the globalization degree of Chinese enterprises through six factors: overseas total sales, overseas net assets, overseas sales rate, overseas assets rate, investment structure, and overseas production rate. These factors, in turn, were generated from four areas – investment, assets, sales, and technology. The investment structure refers to the amount of capital invested in technology-intensive industry first divided by the total amount of investment capital of enterprises and then multiplied by 100%.

Chen Feiqiong and Wang Xiaojing[5] claimed that the globalization of Chinese enterprises should be analyzed from two aspects: external and internal globalization. External globalization includes overseas sales and profits, the share of overseas assets in relation to total assets, and the share of overseas employees in the company's overall workforce. The scope of external globalization is measured by the geographical area overseas in which a company sells products and conducts foreign direct investment activity. The depth of internal globalization is measured by the ratio of the total exports of ODI-investing enterprises to the total exports of all Chinese firms, average equity ratio of overseas investment, and the ratio of local foreign employees to Mainland Chinese personnel of these firms.

Cui Yinghui and Wei Juan[6] believed that globalization should be assessed using a multilayered evaluation system based on dynamic evolution. In this system, the globalization degree of Chinese companies is determined by three kinds of specific globalization. These three types are laid out below:

- Internal globalization (IG). This is a function of the amount of overseas procurement (OP) divided by total procurement (TP) plus foreign capital (FC) introduced divided by a firm's total stock of capital (TC), plus overseas technology introduced (OT) divided by total technology stock (TT). The mathematical formula is thus:

$$IG = OP/TP + FC/TC + OT/TT.$$

- External Globalization (EG). This is a function of the amount of overseas sales (OS) divided by total sales (TS) plus overseas employees (OE) divided by total number of employees (TE) plus foreign capital (FC) divided by total stock of capital (TC) plus countries a firm operates in (CF) divided by countries worldwide (WC). The formula for EG is:

$$EG = OS/TS + OE/TE + FC/TC + CF/WC.$$

- Globalization Integration Degree (GID). This is a function of the value creation method in foreign markets (VCM_F) plus marketing decision-making method (MDMM) plus human resources management method (HRMM) plus capital expansionary force (CEF) plus international innovation power (IIP) plus cross-cultural integrating ability (CCIA). The formula for GID is:

$$GID = VCM_F + MDMM + HRMM + CEF + IIP + CCIA.$$

This argument is a richer and more fine-grained method of assessing globalization efforts by Chinese firms. As such, it represents an advance over the other yardsticks devised to carry out the task reviewed above. However, it is much harder to calibrate, as the final kind of globalization is much more difficult to quantify, as it is based on qualitative, rather than quantitative measures.

China Entrepreneur magazine has put forward another evaluation system for enterprise globalization based on its "Globalization Index of Chinese Enterprises and the Top 50 Globalized Chinese Enterprises."[7] That index consists of four differently weighted dimensions. The first is globalization orientation, which counts for 20% of the index. The second is globalization strategy, which has a 10% weight. The third is globalized management; like globalization strategy, this counts for 10%. The most heavily weighted dimension, at 60%, is global operation (60%). In the case of the latter dimension, globalization of organization counts for 10%, supply chain 10%, capital 10%, talent 10%, brand 10%, R&D 10%, performance 20%, overseas operating performance 10%, and integration degree of overseas markets 10%. This evaluation system has generated a huge wave of discussion over globalization of Chinese enterprises.

Table 4.1 *China Entrepreneur* magazine's globalization evaluation indices

Globalization Orientation (20%)	Globalization Strategy (10%) Globalization Management (10%)
Globalization Performance (20%)	Overseas Operating Performance (10%) The Degree of Integration into foreign markets (10%)
Globalization Operation (60%)	Globalization of organization (10%) Globalization of Supply chain (10%) Globalization of capital (10%) Globalization of talent (10%) Globalization of brand (10%) Globalization of research and development (10%)

Source: "Statistics and Lists of Chinese Enterprises Globalization." *China Entrepreneur*. Nr.18 (2011).

Thus, Chinese and foreign scholars have put a fair amount of effort into devising evaluation systems for assessing the globalization of Chinese enterprises. These systems can evaluate the development of Chinese enterprises' globalization from many perspectives. The two basic orientations can be called strategic and result-oriented models. The former focuses on the outlook and intentions regarding globalization of senior management, market exploitation, and use of human resources. Results-oriented models emphasize the rate of overseas operation performance to total operation performance. One major problem with these approaches, however, is that the evaluation benchmark for assessing the foreign expansion of firms has been constantly changing during the development of economic globalization. In the 1980s, globalization was mainly viewed from the prism of profit-making. By contrast, in the 21st century, firms are being judged not only by how much money they make, but whether they do so in a socially responsible manner. This shift has posed a continuous challenge for multinational companies. Chinese firms seeking to expand abroad will have to evaluate themselves using international standards in order to sail smoothly through the process of going global.

CCG has thus incorporated Corporate Social Responsibility (CSR) into the traditional strategic and results-oriented methods for evaluating the globalization of business enterprises. We believe that doing so offers a more comprehensive and timely yardstick for assessing the globalization of Chinese firms. CCG will use this index as the evaluation standard for gauging the "going out," "going in," and sustainable development of Chinese enterprises.

Evaluation system for Chinese enterprises' globalization

Based on the existing research done on relations between outwardly expanding businesses and host countries, our evaluation system for Chinese enterprises' globalization takes the creation of mutual benefits with local society as its key overall criteria. This metric is emphasized to help ensure Chinese ODI leads to win-win situations and sustainable development for both the enterprises and their host countries.

1. Designing of the evaluation system

The globalization of enterprises includes not only their products and capital, but their brands and appeal as well. However, greater economic success also brings with it increasing demands on firms to behave in a socially responsible way. This new equation stems from the increasing integration of the world through digital communications; growing appeal of sustainable, green development; and the increasingly multicultural global society. These trends have been accentuated by the rising activism of NGOs. Firms therefore confront the complex task of developing comprehensive capabilities to work their way through this complicated landscape. We accordingly take as our focus in designing our evaluation system Porter and Kramer's (2010) emphasis on firms creating shared value for assessing the globalization of Chinese enterprises. Shared value means that companies should maximize both profits and the social value they can create while "going out," "going in," and achieving sustainable development.[8] This evaluation system is based on five factors: globalization strategy, share of market, use of global talent, CSR, and performance.

We will start with the first criterion, global performance. Market performance reflects a firm's operational status, whereas the evaluation of globalization performance can help reveal drawbacks in the way companies conduct their overseas business activities. Because a single evaluation index tends to be biased, a structured evaluation index is called for here. For example, an operational structural index can reflect the exploitation of overseas resources,[9] while an operational performance index can reflect overseas operational performance.[10] We have formulated this index from the financial perspective, which includes a company's assets and revenue-generation ability. The formula for this index is (overseas assets/total assets + overseas revenue/total revenue) ÷ 2 ×100%.

The second element in the evaluation is globalization strategy. Mintzberg et al. pointed out that corporate strategy ought to include a plan, pattern, position, perspective, and ploy.[11] A highly competitive globalization strategy should contain all of these elements. Globalization strategy is defined as operational behavior planning undertaken by firms going global to ensure their sustainable development. Our evaluation system has as its specific criteria a company's strategic concept, market, and globalization model, with the ten models outlined in the previous chapter serving as a reference point.

Many Chinese companies have gone global since China reformed and opened up its economy over 30 years ago. However, their success rate has not been very high, with the main reason being the absence of a suitable management strategy. Moreover, most enterprises could not adapt to the local management models and found it very hard to enter into foreign countries after leaving China. According to an analysis of 24 multinational enterprises by Hart and London (2005),[12] ability to "go native" is the key factor for success in local places. Localization management strategies such as R&D, production, communication, and sales in host countries are crucial in enabling companies to successfully set up shop in such places.

Research on the globalization of Chinese enterprises in recent years has found that the amount of cross-border M&A deals conducted by Chinese companies totaled $52.9 billion dollars in 2013, or 79 times as large as that of 2004. Some 424 transactions were concluded in 2013, or 3.6 times more than the 115 undertaken in 2004.[13] With respect to the channels for conducting cross-border investment among Chinese firms, M&A have grown the fastest. Cross-border M&A are thus evaluated based on their size, influence, and expansionary impact.

The third component of our evaluation system is use of global talent. Talent and its effective use is at the core of any firm's competitiveness, and this especially is so when it comes to going global. Our evaluation index looks at the proportion of global talent in Chinese multinational enterprises. Global talent includes non-Chinese foreign talent as well as Chinese recruited through the Talent Recruitment Program and Ten Thousand Talent Program and returnees with overseas work experience. These Chinese individuals serve as bridges across different cultures and styles of doing business, enabling them to ease cultural clashes that can arise when firms from very different countries merge, and promoting more effective management. This evaluation criterion considers the globalization degree of employees, managers, and individuals serving on the board of directors. The formula, based on objective statistics, is (overseas employees/all employees + globalized senior managers/all managers + foreign directors/all directors) ÷ 3 × 100%.

The fourth component of the evaluation system is the global market. The size of a Chinese firm's overseas market and number of overseas markets in which it operates directly reflects the globalization degree of the company. The formula is (overseas sales amount/total sales amount + overseas branches/all branches) ÷ 2 × 100%.

CSR comprises the fifth element of the evaluation system. CSR is a vital "soft power" resource for firms in today's fiercely competitive international market. In an increasingly integrated world, the operation of businesses is attracting closer attention, due to the Internet and digital news and communications. Multinational companies must therefore take CSR very seriously as a way of enabling them to meet the international standards for corporate behavior and build up a good image to improve their business performance.

This system emphasizes economic performance and social responsibility to help Chinese firms going global maximize the economic and social value of expanding overseas. The quality of a company's CSR is judged from five distinct angles. The first comprises the core aspects of CSR management – fairness, integrity, and morality. The second is economic responsibility, or how firms balance the need to ensure profits for their shareholders and operate efficiently with socially sustainable development. The third CSR dimension is the interaction between firms and the human communities in which they operate. Do companies ensure the safety and security of their products for consumers, promote local and regional development, and assist vulnerable individuals and groups? The fourth CSR angle is responsibility for protecting the environment, including ISO14001certification, effective utilization of resources, environmental protection, and public nuisance abatement. Philanthropy comprises the final aspect of CSR built into our evaluation system. This includes charitable activities helping poor individual and groups, relief for disaster victims, and support of education, the arts, and culture.

In general, Chinese enterprises globalization is evaluated over three phases. These are going out, going in, and achieving sustainable development. This evaluation, in turn, will be done from the five angles of globalization strategy, global talent, global market, CSR, and globalization performance. (see Figure 4.1).

2. Design of the evaluating factors

Each of the elements of the evaluation system reviewed above is assigned a different weight according to its importance. These were

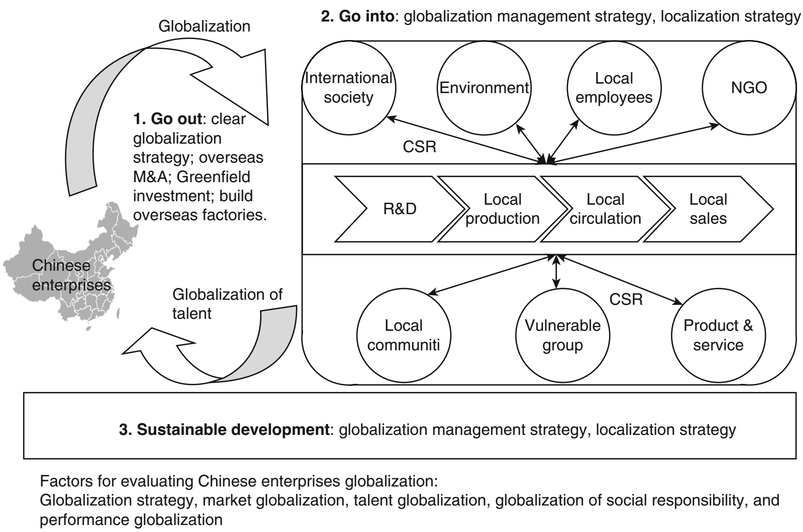


Figure 4.1 Evaluating factors in Chinese enterprise globalization

Table 4.2 Weights of enterprise globalization evaluation system

First-level index	Second-level index	Weights
Globalization performance	Globalization degree of assets Globalization degree of revenue	40%
Globalization strategy	Clear globalization strategy Globalized products and market positioning strategy Localized management strategy Strategy and size of ODI	15%
Global market	Globalization degree of revenue Globalization degree of branches and subsidiaries	15%
Global talent	Globalization degree of employees Globalization degree of senior managers Globalization degree of board directors	15%
Globalization social responsibility	Ethical responsibility Economic responsibility Social responsibility Environmental responsibility Philanthropic responsibility	15%

devised by the Expert Committee of Evaluating Chinese Enterprises Globalization through the Delphi method (expert method). The globalization performance, including overseas assets and overseas revenue, accounts for 40%. Global market, global talent, globalization strategy, and CSR each accounts for 15%. See Table 4.2.

Weighting of each factor

3. Globalization performance

Globalization performance refers to the cross-border index of business firm globalization created by UNCTAD, and is calculated through the following formula. See Table 4.3.

4. Globalization strategy – integration of the global industry chain.

The essence of globalization for any business is the complete utilization and integration of the global industry chain. A given company's capability in going global is strongly determined by its control over the worldwide industry chain. M&A have been the main method by which Chinese companies have sought to integrate the global industry chain. According to the *2014 World Investment Report* issued by UNCTAD, China's FDI totaled a little over $100 billion in 2013, rising at an annual rate of 15%, making China the world's third-largest outbound investor following the United States and Japan. Wei Jianguo, the former vice minister of the Ministry of Commerce, claimed at the 2014 China Outward Bound Investment Summit[14] that the sixth global M&A wave is now underway, and that the period between 2015 and 2030 will be a new era for China's foreign M&A deal making and investment activity. If present trends continue, by 2030 China will outstrip the United States in terms of foreign fund introduction and outbound investment.

Table 4.3 Globalization performance index

Index	**Formula**	
Globalization degree of assets	Overseas assets/total assets × 100%	(overseas assets/total assets + overseas revenue/total revenue) ÷ 2 × 100%
Globalization degree of revenue	Overseas revenue/total revenue × 100%	

Hence the global M&A efforts of Chinese enterprises have been grabbing considerable attention worldwide.

The evaluation of global M&A of Chinese enterprises expanding abroad contains three first-level criteria. These are the size, influence, and expansion of M&A. The M&A evaluation category then contains six second-level criteria, which are M&A amount, M&A number, industrial influence, social influence, M&A regions, and industries targeted for M&A. M&A size is the most important of these, being weighted at 60%. Among the second-level criteria, M&A amount is weighted at 50%, M&A number at 10%, industrial influence at 10%, M&A regions at 10%, and M&A targeted industries at 10% (see Table 4.4 below).

5. Global Talent

Talent is a key factor influencing the success or failure of a company's overseas operation. One of biggest bottlenecks facing firms, especially ones from China, in going global is the worldwide shortage of talent capable of assisting companies seeking to set up shop in foreign countries. To evaluate the use of global talent by Chinese companies going global, we employ the following formula: (number of overseas employees/number of all employees + number of globalized senior managers/number of all senior managers + number of foreign directors/number of all directors) ÷ 3 × 100%.

6. Global market

The formula for calculating the level of the global market is (sales amount in overseas market/sales amount in all markets + overseas branches/all branches) ÷ 2 × 100%.

Table 4.4 Weights of global M&A of Chinese enterprises

First-level index	**Second-level index**	**Weights**
M&A size	M&A amount	50%
	M&A number	10%
M&A influence	Industrial influence	10%
	Social influence	10%
M&A expansionary force	M&A regions	10%
	M&A industries (M&A of industry chain)	10%

Table 4.5 Global talent index

Index	Formula	
Globalization degree of employees	(overseas employees/all employees) × 100%	(overseas employees/all employees + globalized senior managers/all senior managers + foreign board directors/all board directors)÷ 3 × 100%
Globalization degree of senior managers	(foreign senior managers in China + Chinese senior managers abroad)/all senior managers × 100%	
Globalization degree of board of directors	(foreign board directors/all board directors)× 100%	

Table 4.6 Market globalization index

Index	Formula	
Percentage of overseas market sales	(sales amount of overseas market/sales amount of all markets)× 100%	(sales amount of oversea market/sales amount of all markets + number of overseas branches/number of all branches)÷ 2 × 100%
Percentage of overseas branches	(overseas branches/all branches)× 100%	

7. Globalization of corporate social responsibility

Conducting CSR can help boost a firm's image, creating good will toward it in the host country and increasing its business. The current fierce competition among companies in the global marketplace therefore involves not just maximizing sales, but striving to stay ahead of rivals with respect to being good corporate citizens. In the evaluation system of CSR, ethical, economic, social, environmental, and philanthropic responsibility comprise the first-level criteria in the CSR index, with each being weighted at 20%. The second-level criteria in the CSR index include honesty and trustworthiness, lawful operation, transparency, and obligations fulfillment. In the second-level group, the economic responsibility criterion includes operational efficiency, profits for shareholders, tax liabilities, and sustainable development. Another second-level criterion in the CSR index, social responsibility, includes responsibility for employees, and SA8000 certification, along with responsibility for consumers, regions, and vulnerable groups. The second-level environmental responsibility criterion in the CSR index consists of ISO14001 certification, environment protection, public nuisance abatement, effective utilization of resources, and waste recycling. And the second-level philanthropic responsibility criterion in the CSR index includes donations for disaster relief, education, charitable activities, disease prevention, and poverty relief (See Table 4.7 for details).

Conclusion

As was noted earlier in this book, 2015 will mark the first year in which Chinese ODI exceeds inflows of foreign direct investment into the country. With this historic sea change, Chinese ODI will be the driving force in the new wave of global investment. Based on the existing research on the globalization of business enterprises, this chapter has proposed

Table 4.7 Globalization index of social responsibility of Chinese enterprises

First-level index		**Second-level index**	**Weight**
Ethical responsibility		honesty and trustworthiness, lawful operation, transparency and obligations fulfillment	20%
bottom lines	Economic responsibility	operational efficiency, profits for shareholders, tax liabilities, and sustainable development	20%
	Social responsibility	responsibility for employees, the SA8000 certificate, responsibility for consumers, regions, and vulnerable groups	20%
	Environmental responsibility	ISO14001 certification, environment protection, public nuisance abatement, effective utilization of resources, and waste recycling	20%
Philanthropic responsibility		donations for disaster relief, education, charitable activities, disease prevention, and poverty relief	20%

a new evaluation system for the efforts of Chinese companies to go global. This system takes as its guideposts attaining win-win outcomes for firms and the host countries and sustainable business development. The chapter has done this in order to assess the outlook for the globalization of Chinese business enterprises and to promote the creation of economic and social value as they engage "going out," "going in," and achieving sustainable development. Securing win-win outcomes and sustainable development will greatly help Chinese companies investing overseas improve their global image and achieve competitive success in the international market.

5
CCG Recommended Rankings on Chinese Companies Going Global

The previous chapter set forth a rigorous set of selection criteria for determining the leading globalizing Chinese firms. This chapter presents lists of these companies, dividing them into two "top 50" sets of enterprises. The first set consists of firms who have already been going global for some time, while the second comprises the top 50 newly globalizing companies. In addition to these two lists, the chapter presents three other "top" lists. These are the top 10 globalization performers and the top 10 transnational M&A undertaken by Chinese firms as well as the 50 overseas listed Chinese enterprises. The first part of this chapter is accordingly divided into five parts, each part dealing with one of these top 50 or top 10 lists. The second part of the chapter then presents capsule case studies of the key event in the international expansion efforts of the of the up-and-coming globalizing firms ranking in the last "top 50" list of firms.

Top 50 list of Chinese firms going global: established globalizing companies

Large numbers of Chinese firms are certainly no strangers to the activity of going global, having sought for many years to extend their reach and operations outside of Mainland China. This section presents the CCG list of the top 50 such Chinese business enterprises, based on the methodology and criteria for ranking such firms presented in Chapter 4. As these are almost all relatively well-known firms, even outside of the People's Republic, this section of the chapter does not review the individual globalization efforts of the companies in this group. It instead summarizes the general characteristics of these enterprises as a group.

The first "top 50" list of established globalizing companies for 2012–2014, along with their rankings, is shown in Table 5.1 below. This table and the subsequent ones presented in the chapter also note the status of these enterprises as state-owned enterprises (SOEs), private firms, or composite ownership system enterprises (COSEs). The so-called COSE firms comprise a new category of hybrid businesses growing out of the Chinese Government efforts to reform SOEs. COSEs are SOEs into which private money can be invested, so their shareholders consist of both the government and private individuals and entities (the latter shareholders can be either Chinese or foreign). In industries deemed to be highly important, or "strategic," such as banking, defense and defense-related activities, and energy, the state remains the dominant shareholder. But for COSEs in other sectors, private shareholders may hold a majority of the shares. In addition to the ownership status of the companies, the table lists their main business activity (or activities).

We should note here that for a very small handful of firms, specific data for certain years for the selection criteria outlined in Chapter 3 were missing. In these instances, we estimated figures by combining data from the previous year with the annual growth rate of such companies. Differences may exist between these estimates and the real figures, which may have affected the ranking of the various firms on the list below. However, we also believe that this impact, if it does exist, is very slight, given both the tiny number of companies for which data was missing and the probable match between our estimates and the real figures in numbers contained in the various yardsticks devised for gauging business enterprise globalization.

With respect to the balance between state-owned versus private companies, this list is heavily weighted toward the former group of companies. A little over two-thirds, or 34 out of 50, of the firms on this "Top 50," list are SOEs. These firms include well-known names in resource extraction, manufacturing, transportation and infrastructure, communications, and banking. The first group has among its members China Minmetals, China Petrochemical Corporation (Sinopec), China National Offshore Oil Corporation (CNOOC), and China National Petroleum Company (CNPC). The big-name SOE manufacturers on the first "Top 50" include the National Chemical Corporation, Aluminum Corporation of China, and Metallurgical Corporation of China. Sino-Trans, China Railway Engineering Corporation, and China Power Investment Corporation are among the leading established globalizing firms in transportation and infrastructure, whereas China Mobile is a communications sector SOE. Finally, this first "Top 50" list included

Table 5.1 Top 50 established Chinese globalizing companies (2012–2014)

No.	Company Name		Main Activity(ies)
1	China Petrochemical Corporation (Sinopec)	SOE	Gas and oil exploration and extraction; petroleum refining, storage and transportation; production of petrochemicals and related products, including fibres and fertilizers.
2	Legend Holdings, Ltd	Private Firm	Financial and property investment; IT, including computer production (Lenovo computers is a wholly Legend subsidiary).
3	Industrial and Commercial Bank of China	SOE	Commercial, investment, and personal banking.
4	Sinochem Group	SOE	Petrochemicals distribution and production; rubber, plastics, and agrochemicals production.
5	Huawei Technologies	Private Firm	Mobile phones and electronic communication devices manufacturer; telecom networks and services
6	China Minmetals	SOE	Mining, production and trading of minerals and metals.
7	Bank of China	SOE	Commercial, investment, and personal banking.
8	China Ocean Shipping Group Company	SOE	Shipping and logistics services supplier.
9	China National Offshore Oil Corporation (CNOOC)	SOE	Offshore oil and gas exploration and extraction.
10	Geely Holding Group	Private firm	Passenger cars and motorcycle manufacturer; automobile engine and transmission maker.
11	ZTE Corporation	Private Firm	Designs and manufactures telecommunications equipment and systems.
12	China National Petroleum Corporation	SOE	Exploration, extraction, and refining of oil and natural gas; oil and gas engineering equipment and services supplier and contractor.

Continued

Table 5.1 Continued

No.	Company Name		Main Activity(ies)
13	Fosun International	Private Firm	Large conglomerate whose activities include pharmaceuticals, health care, mining, manufacturing (steel), and travel (firm recently bought Club Med).
14	TCL (Telephone Company, Ltd.)	Private Firm	Manufacturer of mobile phones, televisions, and electrical appliances.
15	CITIC Group	SOE	Commercial, investment, and personal banking; investment management services.
16	China National Chemical Corporation	SOE	Manufacturing agrochemicals and other specialty chemicals; chemical materials, and rubber products; industrial equipment; petrochemical processing.
17	Wanxiang Group	Private Firm	Automotive parts and components manufacturer.
18	China Nonferrous Metal Mining Group Company	SOE	Mining of non-ferrous metals.
19	Midea Group	Private Firm	Electrical appliance manufacturer.
20	Zijin Mining Group	SOE	Mining and refining gold, copper, and nonferrous metals.
21	Sinotrans Shipping	SOE	Vessel time chartering, shipping services, and fleet management.
22	Aluminum Corporation of China	SOE	Aluminum and aluminum products.
23	HNA Group	COSE	Commercial passenger airlines (Hainan Airlines and other carriers); logistics, including airport operation and cargo services; tourism and hospitality (hotels); and real estate.
24	China National Travel Services Corporation	SOE	Travel services provider.
25	China Communications Construction	SOE	Infrastructure building.
26	Hisense Group	SOE	Manufacturer of "white good" electrical appliances.

Continued

Table 5.1 Continued

No.	Company Name		Main Activity(ies)
27	China Oil and Foodstuffs Corporation	SOE[1]	Food processing.
28	Zoomlion Heavy Industry Science and Technology	Private Firm	Manufacturing heavy construction and sanitation equipment.
29	Dalian Wanda Group	Private Firm	Commercial property development and management; film distribution.
30	Yanzhen Coal Mining	SOE	Coal mining.
31	China National Gold Group Corporation	SOE	Mining and refining of gold, silver, copper and molybdenum; making custom-designed gold and silver bars.
32	Guangdong Holdings, Ltd.	SOE	Investment holding services.
33	Jinchuan Group	Private Firm	Metal mining and processing.
34	Bright Food Group	SOE	Food and beverages maker.
35	Metallurgical Corporation of China	SOE	Engineering, procurement and construction, including natural resources exploitation; paper production; equipment fabrication; real estate development.
36	China National Building Materials Corporation	SOE	Manufacturing building materials.
37	China Railway Engineering Corporation	SOE	Infrastructure construction projects in and outside of China; surveying, R&D, and technical consulting; capital management and international trade activities.
38	China Huaneng Group	SOE	Electrical utility.
39	China Power Investment Corporation	SOE	Investment, development and operation of electrical power plants and electrical power plant equipment and maintenance services.
40	China Construction Bank Corporation	SOE	Commercial, investment, and personal banking.
41	China Resources Holding Company	SOE	Exporter of Mainland Chinese products, especially traditional goods and crafts.

Continued

Table 5.1 Continued

No.	Company Name		Main Activity(ies)
42	Haier Corporation	Private Firm	Manufacturing electrical goods and appliances.
43	China United Telecommunications, Inc. (China Unicom)	SOE	Mobile phone and 3G telecommunications services provider.
44	New Hope Group	Private Firm	Agribusiness.
45	Shenhua Group Corporation	SOE	Mining (largely coal) and energy production.
46	Shuanghui Industry Company	Private Firm	Meat processing.
47	China Poly Group	SOE	Trading; real estate; cultural industries.
48	China Shipbuilding Industry Corporation	SOE	Shipbuilding conglomerate.
49	Shenzhen Tencent Technology Company	Private Firm	Social networking, web portals, e-commerce, and online gaming.
50	China Mobile	SOE	Mobile phone and internet services provider.

Source: Table created by CCG with data from the organization; CCG also used data from the *China's Top 500 Enterprises 2012–2014*. Report prepared by the China Enterprise Confederation, China Entrepreneur Association in 2014.

three large banks, the Industrial Commercial Bank of China (ICBC), Bank of China, and the CITIC Group,

This top 50 list is notable not just for the heavy representation of SOEs over privately owned companies. It also stands out with respect to the economic sectors of these companies. Just five firms, the privately owned Shenzhen-based online communication services provider, Tencent, telecommunications equipment makers Huawi, TCL, and ZTE, as well as the computer manufacturer Lenovo, which is a wholly-owned subsidiary of the Number 2 ranked firm on the first top 50 list, Legend Holdings, can be classified as being in the "new economy." In addition to making mobile phones and other electronic communications devices, Huawei is involved in telecom networks and services. All five of these firms, it could also be noted, are privately owned businesses rather than SOEs.

By contrast, 20 firms in the first Top 50 list are involved in manufacturing. As makers of "new economy" telecommunications and computer "hardware," Legend Holdings, Huawei, ZTE, and TCL can be put into this subgroup. Indeed, the activities of TCL stretch from making phones to manufacturing television sets, air conditioners, washing machines, refrigerators, and smaller electrical appliances. All of the other 16 firms in the manufacturing sub-category are involved in old-fashioned varieties of manufacturing.

For example, seven of them manufacture chemicals and metals. The former companies include China Petrochemical Corporation (Sinopec), Sinochen Chemical, and China National Chemical Corporation. In addition to oil and gas exploration, the first company makes petrochemicals, fibers, and fertilizer. The four metal making and processing firms are China Minmetals, Aluminum Corporation of China, Fosun Group, and Jinchuan Group. Steelmaking is just one of the numerous activities of the Fosun Group, which is a large global conglomerate, while China Minmetals is also involved in metal trading and Jinchuan in the mining as well as processing metals. Among the non-new economy producers of finished manufactured goods, three – the Midea Group, Hisenic Group, and Haier – make electrical appliances and electrical goods. Two firms, Geely Holdings and Wanxiang Group, are vehicle and auto parts producers, respectively. Another enterprise in this category, China Shipbuilding Industry Corporation, is the largest shipbuilder in China, while the China National Building Materials Corporation is the biggest Chinese producer of building materials. Zoomlion Heavy Industry Science & Technology manufactures heavy construction and sanitation equipment. And despite its name, the Metallurgical Corporation of China manufactures paper and equipment, while also serving as an engineering, procurement and construction services provider and real estate developer. This firm is not involved in metal processing or production.

Of the manufacturers whose activities do not also fall into the "new economy" category, just over half (nine) are SOEs, making them markedly less prominent in this group than is the case for the top 50 list as a whole. These SOEs are concentrated in chemicals and metals, and among firms making heavier finished goods, such as ships. Indeed, save for Jinchuan and Fosun – the latter is a conglomerate straddling a large number of sectors – all of the companies in metals and chemicals are SOEs. The China Shipbuilding Industry Corporation and Metallurgical Corporation of China (equipment) are SOEs, whereas Zoomlion, which produces heavy construction and sanitation equipment, is a privately owned company. By contrast, private enterprises predominate among producers of lighter finished goods, such as mobile devices and telecommunications equipment; computers, autos, auto parts, building materials, electrical appliances and other electrical goods; and paper, with over two-thirds, 8 out of 11, of the firms in this category being privately owned. The lone SOEs in this cluster of companies are the Hinsense Group ("white good" electrical appliances), China National Building Materials Corporations (building materials), and Metallurgical Corporation of China (paper).

After manufacturing, the next most heavily represented sector on this first top 50 list of globalizing Chinese enterprises is resource extraction. A dozen firms fall into this category, including the big three SOE oil and gas exploration firms, Sinopec, CNPC, and CNOOC. Among the nine mining firms, five have activities outside of mining. These include the two private firms in the subgroup, Jinchuan, and the Fosun International conglomerate. The other three are the Metallurgical Corporation of China, whose engineering, procurement, and construction activities extend to natural resources exploitation; the Shenhua Group, which mines coal and produces energy, and China Minmetals, which not only mines but processes and trades metals. Of the remaining mining companies, the Yanzhen Coal Mining Company is focused on coal, China Nonferrous Metal Mining Group mines various minerals involved in metal production, and the China National Gold Group is involved in gold extraction. The Zijin Mining Group is also a major gold mining concern, accounting for just over one-fifth, or 21%, of the total Chinese gold output, while serving as one of China's biggest copper, tungsten, and iron-ore mining firms. The large number of resource extraction companies on our first top 50 list clearly reflects the strong influence of the Chinese "Going Out" strategy for ensuring the country's access to scarce energy and strategic mineral resources.

The next largest subgroup in the first "top 50" consists of seven firms in power and infrastructure and shipping and transportation. The long-distance global shipping companies from this group include Sinotrans and China Ocean Shipping Group. Two firms are focused on infrastructure building – China Power Investment (electric power provision and power plant construction) and China Communications Construction Company (communications infrastructure). The China Railway Engineering Corporation is involved in infrastructure projects, especially for railroads, in and outside of China; this firm also functions as a capital management and trading company. The one COSE in the first top 50 list, HNA Group, not only provides commercial passenger airline service through its various airlines, the best known of which is Hainan Airlines, but is involved in logistics, cargo shipping, and airport operation. Rounding out this roster is an electric utility, the China Huang Group. Save for the HNA group, all of these firms are SOEs.

A half dozen of the top 50 older globalizing companies fall into or are involved in banking and finance. As was just noted above, one of the firms with financial sector involvement is the China Railway Engineering Corporation. Legend Holdings is the one private firm in the banking and finance subgroup in this "top 50" list. In addition to being the controlling shareholder of the computer maker Lenovo, this investment holding company is involved in finance, including peer-to-peer lending and equity investment. Like Legend Holdings, the SOE Guangdong Holding Company focuses on investment. The remaining enterprises here consist of four large state-owned banks, Industrial and Commercial Bank of China (ICBC), Bank of China, CITIC Group, and China Construction Bank.

Another half dozen of the companies on the first top 50 list are engaged in communications and telecommunications, including new digital media. As is the case with manufacturing, several of the "new economy" privately owned firms also straddle this category. These include the Shenzhen-based digital communications service provider Tencent, along with telecommunications equipment manufacturers ZTE, TCL, and Huawei, with Huawei also doing telecom networks and services. The remaining two firms in this category are large SOEs phone and Internet service providers, China Mobile and China Unicom.

Although all but one of the companies involved in finance on the first "top 50" list consist of SOEs, private firms comprise two of the five firms whose activities include property and real estate. The two privately owned companies in this subgroup are the Dalian-based Wanda Group and Legend Holdings. As is the case with the latter firm, Wanda is not just focused on commercial real estate – the company has recently sunk deep roots into the making and distribution of movies. Likewise, the two SOEs involved in real estate and property, the Poly Group and Metallurgical Corporation of China, boast a diverse portfolio of activities. Those of the former company include the trading and cultural industries. And the same can be said for HNA, which also operates airlines, does logistics and cargo shipping, and engages in tourism and hospitality.

The remaining activities done by the firms on our first top 50 list are spread over the five categories of agribusiness and food processing, entertainment/cultural industries, trading, conglomerates, health care, and travel. The first subgroup consists of three firms, the privately owned New Hope agribusiness group and two SOE food and beverage makers, Bright Foods and China Oil and Foodstuffs Corporation. As noted above, in addition to property, the Poly Group and Wanda are involved in the cultural industries and filmmaking and distribution. The Poly Group also does trading, as is the case for the SOE China Resources Holding Company, which specializes in the export trade of Chinese products, including traditional handicrafts. The activities of two other SOEs, the China Railway Engineering Corporation and China Minmetals, also extend into trading, with the latter being a leading trader of minerals and metals. In addition to mining and steel manufacturing, the privately owned Fosun International conglomerate is involved in pharmaceuticals and health care as well as travel – it recently bought the iconic French brand, Club Med. As was just noted, HNA's portfolio straddles the hospitality and tourism industry, with the firm operating hotels. The SOE travel services provider, China National Travel Services Group, rounds out the first "top 50" list of globalized Chinese firms.

China's top 10 globalization performances (2012–2013)

The second CCG top list to be presented in this chapter consists of the top 10 globalization performers among business firms in China. We gauge a company's globalization performance by using two indicators, one being the size of its overseas assets relative to gross assets, and the other being the size of its overseas income relative to gross income. The formula for calculating globalization is therefore as follows: overseas assets/gross assets + overseas income/gross income ÷2 × 100%. The top 10 globalization performers according to this formula are listed in the Table 5.2.

Although SOEs form a majority, 6 out of 10, of the companies on this list, they are arguably less dominant on it than is the case with our first top 50 list of globalizing Chinese firms. Indeed, four of the top six globalization performers, the Geely Holding Group, Huawei Technology Company, Legend Holdings, and ZTE Corporation, are privately owned firms. Three of these privately owned firms are involved in information technology/new economy-related activities – Legend Holdings, Huawei, and ZTE. A car maker, the Geely Holding Company, rounds out the roster of privately owned firms on this list. Of the seven SOEs on this list, three are involved in oil and gas exploration and extraction and/or energy-related activities, while one is engaged in a petroleum-related activity, namely making chemicals. The former three are China Petrochemical Corporation (Sinopec), Sinochem, CNPC, and CNOOC; the latter company is Sinochem. China Ocean Shipping Group and ICBC round out this top 10 list of Chinese firms.

Table 5.2 China top 10 globalization performers list (2012–2013)

No.	Company Name		Main Activity(ies)
1	Sinochem Group	SOE	Petrochemicals distribution and production; rubber, plastics, and agrochemicals production.
2	Geely Holding Group	Private Firm	Passenger Cars and motorcycle manufacturer; automobile engine and transmission maker.
3	Huawei Technologies	Private Firm	Mobile phones and electronic communication devices manufacturer; telecom networks and services
4	China Ocean Shipping Group Company	SOE	Shipping and logistics service supplier.
5	Legend Holdings, Ltd	Private Firm	Financial and property investment; IT, including computer production (Lenovo computers is a wholly Legend subsidiary).
6	ZTE Corporation	Private Firm	Designs and manufactures telecommunications equipment and systems.
7	China Petrochemical Corporation (Sinopec)	SOE	Gas and oil exploration and extraction; petroleum refining, storage and transportation; production of petrochemicals and related products, including fibres and fertilizers.
8	China National Petroleum Corporation	SOE	Exploration, extraction, and refining of oil and natural gas; oil and gas engineering equipment and services supplier and contractor.
9	Industrial and Commercial Bank of China	SOE	Commercial, investment, and personal banking.
10	China National Offshore Oil Corporation (CNOOC)	SOE	Offshore oil and gas exploration and extraction.

Source: Table created by CCG with data from the organization; CCG also used data from *China's Top 500 Enterprises 2012–2914*. Report prepared by the China Enterprise Confederation, China Entrepreneur Association in 2014.

Top 10 cross-border M&A by Chinese enterprises

As our discussion of Chinese outbound investment throughout this book has made clear, cross-border M&A have become an increasingly popular mode of "going global" for Mainland China-based companies.

Here we present the CCG list of the top 10 Chinese companies with respect to cross-border M&A activity from January 1, 2009 through June 30, 2014. This ranking is based simply on the amount of money involved in such deals over that period. The rankings and transaction figures – the latter are expressed in Hong Kong dollars – are shown in the table below. The major M&A conducted by these "top 10" firms are reviewed in the Appendix to the chapter.

Table 5.3 Top 10 Chinese enterprise transnational M&A (January 1, 2009 to June 30, 2014)

No.	**Company Name**		**Main Activity(ies)**
1	China Petrochemical Corporation (Sinopec)	SOE	Gas and oil exploration and extraction; petroleum refining, storage, and transportation; production of petrochemicals and related products, including fibres and fertilizers.
2	China National Petroleum Corporation	SOE	Exploration, extraction, and refining of oil and natural gas; oil and gas engineering equipment and services supplier and contractor.
3	China National Offshore Oil Corporation (CNOOC)	SOE	Offshore oil and gas exploration and extraction.
4	Sinochem Group	SOE	Petrochemicals distribution and production; rubber, plastics, and agrochemicals production.
5	China Minmetals	SOE	Mining, production and trading of minerals and metals.
6	State Grid Corporation of China	SOE	Electric utility.
7	Shuanghui Industry Company	Private Firm	Meat processing.
8	Legend Holdings, Ltd	Private Firm	Financial and property investment; IT, including computer production (Lenovo computers is a wholly Legend subsidiary).
9	HNA Group	COSE	Commercial passenger airlines (Hainan Airlines and other carriers); logistics, including airport operation and cargo services; tourism and hospitality (hotels); and real estate.
10	Aluminum Corporation of China	SOE	Aluminum and aluminum products.

Source: Table created by CCG with data compiled by the organization.

We should note here that some Chinese companies that have closed cross-border M&A have not disclosed the transaction amounts involved in such deals. But such information has been typically made public in the biggest and most high-profile cases of cross-border M&A by Chinese firms, so we believe that this list is complete or very close to being complete. Finally, domestic equity funds were not included in the calculation of the M&A amount in the table below.

Unlike the first "top 10" list, the top-ranked Chinese firms involved in cross-border M&A consist overwhelmingly of SOEs, which account for seven of the ten members of this highly select group. Moreover, four of the top 5-ranked firms here are involved in oil and gas exploration, extraction, and refining or mining. The other firm among the top-5 group is the chemical manufacturer Sinochem (fourth place), while State Grid Corporation of China, HNA Group, and Aluminum Corporation of China rank sixth, ninth, and tenth, respectively, among the top Chinese firms doing transnational M&A.

The prominence of the three oil and gas giants, Sinopec, CNPC, and CNOOC, on this list reflects their aggressive moves to acquire foreign oil and gas companies. In fact, the $15 billion CNOOC paid to acquire the Canadian oil and gas producer Nexen in late 2012, after its bid to purchase Unocal was blocked by opposition from the U.S. Congress, made this particular M&A the biggest such deal undertaken by a Chinese firm up to that point in time.

Save for its $2.4 billion September 2009 acquisition of the Australian farm chemicals and specialist seeds producer Nufarm, the major M&A deals undertaken by Sinochem also focused on acquiring foreign oil sources. With the first acquisition, Sinochem sought to strengthen its global niche in fertilizers and pesticides. Sinochem's buying of stakes in foreign energy firms, which have included purchasing the entire equity of UK-based Emerald Oil in 2009 and acquisition of a 35% equity share in oil Petroleo Brasileiro for $1.5, can be seen as an effort to integrate downstream by obtaining greater direct control over the petroleum inputs needed for chemical production. The Aluminum Corporation of China is clearly following the same strategy in its foreign M&A, purchasing shares in or gaining outright control of overseas mineral mining companies.

China Minmetals, on the other hand, has used its foreign M&A to expand horizontally overseas, as opposed to going up- or downstream, making a number of large purchases of overseas minerals and mining concerns. Indeed, its April 2014 acquisition of the UK-based Glencore Group's Peruvian Las Bambas copper project was the largest overseas

M&A carried by a Chinese metal concern. The State Grid Corporation of China has followed a similar pattern in its overseas M&A, purchasing foreign power suppliers. These deals included acquiring 25% of the shares of the Portuguese Redes Energeticas Naclionals, marking the first time for a Chinese power company to purchase a stake in a European power grid firm. By contrast, HNA has used its transnational M&A not only to purchase foreign air passenger carriers, but deepen its footprint in other diverse areas, including aircraft leasing, offshore heavy transportation, and hotels.

The pair of private firms on the top 10 list of Chinese firms doing transnational M&A has used such deals to deepen their influence in IT and pork. Legend Holdings used its purchases of foreign IT companies, especially the 2014 acquisitions of IBM's low-end server business and Motorola's mobile smart phone business, to add to its strengths in high technology. And in order to better meet the skyrocketing Chinese domestic demand for meat, especially pork, which is being fueled by rising affluence, Shuanghui paid \$7.1 billion in 2013 to acquire the Virginia-based Smithfield Foods, the largest producer of pork and supplier of pork products in the world.

Top 50 overseas-listed Chinese companies (2013–2014)

In addition to investing overseas, Chinese firms have been going global in their efforts to raise capital on non-Mainland China stock exchanges. Over the past several years, an increasing number of such enterprises have become listed on such capital markets. In order to gauge which companies have been most prominent in this activity, we present another "top 50" list, consisting of the top 50 overseas-listed Chinese firms. These companies are ranked according to the amount of funds raised by being listed on overseas stock exchanges. For convenience of calculation, the funds raised by NYSE and NASDAQ-listed enterprises were converted into Hong Kong dollars, with the conversion rate being HK\$7.75 to US\$ in Hong Kong on September 18, 2014. The time interval for these listings is from January 1, 2013 to September 19, 2014. The top 50 overseas-listed Chinese companies during this period are shown in the Table 5.4.

The first thing that stands out about this list in relation to the previous one is the paucity of SOEs compared to private firms. The latter account for four-fifths, or 40, of the "top 50" Chinese companies listed overseas. Of the other 10 eight are SOEs, while two are COSEs. Of the nine SOEs

Table 5.4 Top 50 Chinese overseas listed companies (2013–2014)

No.	Company Name		Main Activity(ies)
1	Alibaba Group Holdings, Ltd.	Private Firm	E-commerce, including c2c, b2c, and b2b; web portal sales services; electronic payment and cloud computing services.
2	China Everbright Bank	SOE	Financial services, including direct investment, brokerage, and investment banking.
3	China Cinda Asset Management	Private Firm	Management and disposal of nonperforming assets.
4	WH Group, Ltd.[2]	Private Firm	Meat processing.
5	Sinopec Engineering Group	SOE	Oil and gas exploration and refining engineering services.
6	JD.com	Private Firm	E-commerce.
7	China Huishan Dairy Holding Company	Private Firm	Integrated milk and dairy producer.
8	China CNR Corporation	SOE	Manufacturing railroad rolling stock.
9	Huishang Bank	SOE	Commercial, investment, and investment banking.
10	Harbin Bank	SOE	Commercial, investment, and investment banking.
11	Luye Pharma Group	Private Firm	Research, development, and production of specialty pharmaceutical products, particularly natural drugs, and new drug delivery systems.
12	Qinhuangdao Port Company	SOE	Unloading, handling, storage, and export services for bulk container cargo.
13	Bank of Chongqing	COSE	Commercial, investment, and investment banking.
14	China Conch Venture Holdings	Private Firm	Energy-related services provider.
15	Car, Inc.	Private Firm	Automobile rental.
16	YuanShengTai Dairy Farm	Private Firm	Raw milk production.
17	Jinmao China Investment Holdings	Private Firm	Hospitality Industry, with a focus on developing and operating hotels.

Continued

Table 5.4 Continued

No.	Company Name		Main Activity(ies)
18	Chinalco Mining Corporation	SOE	Exploration, development, and production of ore resources and mining-related activities.
19	China Poly Culture Group	SOE	Culture related industries.
20	Haichang Holdings	Private Firm	Development and operation of theme parks.
21	Weibo	Private Firm	Microblogging, social chat, and platform sharing Internet services provider.
22	Sunshine 100 China Holdings	Private Firm	Real estate and property development.
23	Jumei International Holdings	Private Firm	Development and manufacture of beauty products.
24	Hanhua Financial Holding Company	Private Firm	Investment management services.
25	China Harmony Auto Holding	Private Firm	Luxury and ultra-luxury car sales in Mainland China.
26	TianGe Interactive Holding	Private Firm	Social video platform.
27	Forgame Holdings	Private Firm	Online gaming.
28	Guorui Properties	Private Firm	Residential and commercial property development and sales.
29	Logan Property Holding	Private Firm	Residential property development and sales.
30	Tenwow International Holdings	Private Firm	Food and beverages.
31	Times Property Holding	Private Firm	Commercial and residential property development.
32	BAIOO Family Interactive	Private Firm	Online gaming for children.
33	Central China Securities	COSE	Investment advice and management services.
34	Phoenix Healthcare Group	Private Firm	Hospital management.
35	Cosmo Lady (China) Holding Company	Private Firm	Media.
36	Jintian Pharmaceutical Group	Private Firm	Pharmaceutical retailer.

Continued

Table 5.4 Continued

No.	Company Name		Main Activity(ies)
37	58.com	Private Firm	Online retailing.
38	Yida China Holdings	Private Firm	Business park development.
39	Kangda International Environmental Company	Private Firm	Building and operation of water treatment facilities in China.
40	Jingrui Holdings	Private Firm	Residential and commercial property development.
41	Wuzhou International Holdings	Private Firm	Real estate.
42	Cogobuy Group	Private Firm	Online retailing of electronic goods.
43	China Pioneer Pharma Holdings	Private Firm	Marketing, promotion, and channel management for imported pharmaceutical products and medical devices in China.
44	Cheetah Mobile, Inc.	Private Firm	Mobile phone manufacturer.
45	Qunar.com	Private Firm	Mobile and online travel platform.
46	PW Medtech Group	Private Firm	Manufacturer of medical devices focused on infusion and orthopedic implant products.
47	iKang Healthcare	Private Firm	Preventive health care services provider.
48	Fuguiniao	Private Company	Footwear manufacturer and wholesaler.
49	Tarena International	Private Firm	Professional education services provider, with a focus on IT; much of the instruction done online.
50	Autohome	Private Company	Automobile information website.

Source: Table created by CCG from data compiled by the organization.

included here, three are banks, with China Everbright Bank, Huishang Bank, and Harbin Bank that rank among the top 10 overseas-listed companies. The two COSEs on this top 50 list, Bank of Chongqing and Central China Securities, also fall under the banking/finance category, and these are ranked 13th and 33rd respectively among the Chinese firms with the biggest overseas listings. This top-10 ranked firms with respect to overseas listings also has two other SOEs, China CNR

Corporation, which manufactures rolling stock for railways, and Sinopec Engineering Group. The other three SOEs among the top 50 overseas-listed Chinese companies include the Qingdao Port Company (transportation, shipping, and infrastructure), Chinalco Mining Corporation (extracting copper and other nonferrous metals), and the Poly Culture Group (cultural industry). These three firms are ranked 12th, 18th, and 19th, respectively, on this top 50 list.

These results contradict the results of an earlier Hung and Chan on overseas listings on the part of Chinese H-Share firms. They found that companies with strong political ties – generally large-scale ventures managed by politically connected CEOs and considered to be in "strategic industries" – have a more pronounced inclination to be listed overseas.[3] Our results indicate, at least among the firms undertaking the largest overseas listings, that less politically well-connected companies outside of strategic sectors are now major players in this activity.

"New economy" type firms comprise the biggest subgroup among the major Chinese companies being listed overseas in 2013–2014. Some 11 enterprises fall into this subgroup, and all of them are private firms. The number one company here is the online retail heavyweight, Alibaba, which generated close to HK$170 billion of funds by being listed on the NYSE, dwarfing the $HK20 billion raised by the second-ranked firm among the top 50 overseas listed Chinese companies, China Everbright Bank.[4] In addition to Alibaba, four e-commerce businesses, JD.com, 58.com, Cogobuy Group, and Autohome, are among the top 50 Chinese overseas-listed firms, with the first three selling general merchandise and the last one specializing in automobile sales. The new economy subgroup also contains two social media companies, Weibo and TianGe; two gaming companies, Forgame and BAIOO; a travel site, Qunar; and the mobile phone manufacturer Cheetah. New economy firms also accounted for two-thirds, or six of the nine, of the listings on the NYSE and NASDAQ by Chinese firms, with the other three being from the beauty products maker Jumei; preventive health care provider, iKang Healthcare; and professional education firm, Tenara. The last company, which does much of its education online, could also be put into the "new economy" group.

The next biggest subgroups among the top 50 overseas-listed Chinese companies, property and real estate firms, also consist solely of private businesses. These include Sunshine 100 Chinese Holdings, Guo Rui Properties, Logan Property Holdings, Times 100 Property Holding, Yida, Jingrui Holdings, and Wuzhou International Holdings. These companies all engage in a diverse range of property-related business activities and areas. For example, Sunshine 100 Chinese Holdings develops mixed-use business parks and multifunctional residential complexes, while also advising clients on property investment and managing hotels and other properties.

The other subgroup among the top 50 overseas-listed Chinese companies with seven firms is banking and finance. In addition to three state-owned banks and one COSE bank, this subgroup has three investment and financial management companies, Hanhua Financial Holding Company, China Cinda Asset Management Company, and Central China Securities Company. Although Central China Securities Company is a COSE, the other two investment firms are privately owned.

Health-care related enterprises form the third largest subgroup among the top 50 overseas-listed Chinese companies. One of them, Luye Pharma, is a drugmaker. The other pharmaceutical firms in this subgroup sell rather than make drugs, with Jiantian Pharmaceutical Group serving as a large pharmaceutical retailer and China Pioneer Pharma Holdings providing marketing promotion and sales channel management for imported pharmaceuticals and medical devices in China. The Phoenix Healthcare Group is focused on hospital management, and iKang Healthcare Group specializes in preventive health care. Rounding out this subgroup is the medical equipment and devices manufacturer, PW Medtech. All of the companies involved in health-care related activities are private enterprises.

Another four firms in the top 50 China overseas-listed companies list are involved in food production. This subgroup boasts two dairy companies, China Dairy Holdings and Yuan Sheng Tai Dairy Farm. One of the firms in this subgroup, WH Group, was formerly the Shuanghui Industry Company prior to the latter's acquisition of Smithfield Foods, and is still focused on meat processing. By contrast, Tenwo makes a wide variety of food and beverages. All of these companies are private firms.

Of the remaining nine private companies ranked among the top 50 overseas-listed Chinese enterprises, two are automotive-related firms, Car, Inc., which does car rentals, and China Auto Harmony Holdings, which is engaged in the sale of luxury cars and car products. The other seven are involved in a diverse range of business activities. These include operating theme parks (Haichang Holdings), developing and operating hotels (Jinmao China Investment Holdings), making beauty products (Jumei International Holdings), energy and energy-related activities (Conch VentureHoldings), media (Cosmo Lady China Holding Company), water treatment (Kangda International Water Treatment), and the making and wholesaling of footwear (Fuguiniao Company).

Chinese top 50 new globalizing enterprises

Unlike the first "top 50" list, this ranking of companies highlights up-and-coming globalizing Chinese firms. These firms were chosen based on the innovation, influence, and market value of their globalization efforts conducted from January 1, 2013 to August 31, 2014. This "top 50" list is set forth in the table below.

Table 5.5 Top 50 up-and-coming globalizers (January 1, 2013–August 31, 2014)

No.	Company Name		Main Activity(ies)
1	Beijing Baidu Online Network Technology	Private Firm	Search engine service.
2	Beijing Capital Company	SOE	Water services and water infrastructure development.
3	Beijing CSR Times Electric Locomotive Vehicle Machinery Company	SOE	Manufacturing of electric locomotives, electric locomotive machinery, and railroad rolling stock.
4	Beijing Perfect World Network Technology Company	Private Firm	Creating and distributing online games.
5	Beijing Xiaomi Science and Technology Company	Private Firm	Manufacturing high-tech Internet services and broadcasting equipment; Internet services provider.
6	Belle International Holdings Company	Private Firm	Manufacturing women's footwear
7	BYD Company	Private Firm	Manufacturing electric vehicles and electric vehicle batteries.
8	Chery Automobile	SOE	Commercial and passenger vehicles manufacturer.
9	China General Nuclear Power Group	SOE	Construction and operation of nuclear power plants; uranium mining.
10	China Vanke	Private Firm	Residential real estate.
11	China Equity Group	Private Firm	Providing venture capital and venture capital management services.
12	Chongqing General Aviation Industry Group	SOE	Manufacturing helicopters.

Continued

Table 5.5 Continued

No.	Company Name		Main Activity(ies)
13	CITIC Capital Holdings	SOE	Investment banking and asset management.
14	Country Garden Holdings Company	Private Firm	Commercial and high-end residential property development.
15	Cybernaut (China) Investment Company	Private Firm	Investment services focused on early and middle-stage growth investments.
16	Fuyao Glass Group Industries	Private Firm	Manufacturing automotive glass.
17	Geo-Jade Petroleum Corporation	Private Firm	Conglomerate with activities in energy, property, manufacturing, cultural industries, sporting goods, and financial asset management, including equity investment.
18	Glodon Software Company	Private Firm	Creating and developing business software.
19	Golden Jumping Group	Private Firm	Manufacturing high-tech Internet hardware; alternative energy provider.
20	Goodbaby International Holding Company	Private Firm	Manufacturing prams and other toddler care accessories.
21	Great Wall Motor Company	Private Firm	Manufacturing passenger cars, SUVs, and trucks.
22	Golden Dragon Precise Copper Tube Group	Private Firm	Manufacturing precise copper tubing, especially for refrigerators.
23	Guangzhou Yuexiu Group	SOE	Conglomerate with activities in real estate, finance, infrastructure, and transportation.
24	Hanergy Holding Group	Private Firm	Manufacturing thin-film solar panels and other solar power equipment.
25	Hillhouse Capital Group	Private Firm	Investment management.
26	Hubei Tri-Ring Company	SOE	Manufacturing automobile bearings
27	Jiangsu JinshengInudtry Company	Private Firm	Manufacturing textile machinery.

Continued

Table 5.5 Continued

No.	Company Name		Main Activity(ies)
28	King & Wood Mallesons	Private Firm	Chinese global law firm.
29	Landsea Green Properties Company	Private Firm	Property investment and development.
30	Light in the Box	Private Firm	E-commerce.
31	Phoenix Publishing and Media Company	SOE	Media and publishing.
32	Sanpower Group Company	Private Firm	Service conglomerate involved in property, finance, health care, information services, trading, and retail.
33	Sany Heavy Industry Company	Private Firm	Manufacturing heavy construction equipment.
34	Sequoia Capital China	Private Firm	Investing in start-up companies.
35	Shandong Heavy Industry Group	SOE	Manufacturing heavy machinery.
36	Shandong Ruyi Technology Group	Private Firm	Manufacturing high-end textile machinery.
37	Shandong Yongtai Group	SOE	Manufacturing vehicle tires.
38	Guangdong SF Express Company	Private Firm	Express parcel delivery service.
39	Shanghai C-Trip International	Private Firm	Providing online travel services.
40	Shanghai MicroPort Medical Instruments	Private Firm	Manufacturing medical devices and equipment.
41	Shanghai Pengxin Group	Private Firm	Conglomerate involved in urban property and infrastructure development, and agriculture, including dairy farming, growing corn, sorghum and soybeans, as well as mining copper.
42	Shanghai Zendai Investment & Development Company	Private Firm	Property investment and development.

Continued

Table 5.5 Continued

No.	Company Name		Main Activity(ies)
43	ShanzhenHuada Gene Technology	Private Firm	Property investment and development.
44	Shenzhen MINDRAY Medical International Company	Private Firm	Manufacturing medical instruments and devices.
45	Sichuan Bohong Group	Private Firm	Manufacturing automobile parts.
46	Soufun Holdings Group	Private Firm	Real estate Internet portal.
47	Suzhou Youth Travel Services	Private Firm	Providing travel services.
48	Synutra International	Private Firm	Making infant formula.
49	Vantone Holdings Company	Private Firm	Real estate.
50	Zhong Chengtong International Company	SOE	Overseas business and assets management.

Source: Table created by CCG from data compiled by the organization.

The first thing that stands out about this list and distinguishes it from the first "top 50" ranking of globalizing firms is its dominance by private companies as opposed to SOEs. Nearly four-fifths of the companies on this list, or 38 out of 50, are private firms, while just a dozen are SOEs.

As might be expected, private firms dominate the companies within this list who could be characterized as "new economy" type companies. All nine of the members of this subgroup are private firms. They include the online search engine giant Baidu, online gaming company Beijing Perfect World, online retailer Light in the Box, and maker of high tech Internet equipment and Internet services provider Beijing Xioami Science and Technology Company. Biotechnology is represented in this group by the Shenzhen Huanda Gene Technology Company, which also includes the software firm Gloden Software Company. The roster of new economy companies is rounded out by three firms involved in the "new economy" and other sectors. One is the Soufun Holding Company, which is not only involved in real estate, but also serves as an Internet portal for real estate sales and media. Likewise, because Shanghai C-Trip functions as an online travel services provider, it can also be seen as falling into the travel/tourism industry. The third company here is the

Golden Jumping Group – in addition to doing alternative energy, this firm makes high-tech Internet-related equipment.

The biggest sub-category in the second "top 50" list of globalizing firms, comprising 15 firms, consists of manufacturers of lighter finished goods. Of these, seven are involved in the production of cars, SUVs and trucks or automobile components and parts. The former category includes three companies, the electric vehicle manufacturer BYD, the Great Wall Motor Company, and Chery Automobile Company. The automotive components firms consist of a tire maker, the Shandong Yongtai Group; bearing manufacturer, Hubei Tri-Ring Company, the auto parts manufacturer Sichuan Bohong Group; and Fuyao Glass Industries Company, which produces automotive glass. Within this group, three companies – Chery, Shandong Yongtai Group, and Hubei Tri-Ring Company – are SOEs, with the other four being private firms.

The remaining eight members of the second "top 50 List" falling into this category all consist of private companies and manufacture a diverse range of lighter finished products. Two of them, Shanghai MicroPort medical Devises and Shenzhen Mindray Medical Instruments, make cutting-edge medical equipment and devices and also fall into the health-care related companies subgroup (more on that below). The two other firms making advanced high-tech goods here are the Beijing Xiaomi Science and Technology Services and Technology, which produces not just high-tech hardware for the Internet, but broadcasting equipment as well, and its fellow Internet hardware producer, the Golden Jumping Group. At the other end of the goods spectrum is the textile manufacturer, Belle International Holdings, which is focused on women's underwear, and producer of prams and other products for toddlers Goodbaby International Holdings Company. The other company on this roster is Golden Dragon Precise Copper Tubes.

Among the manufacturers who are included in China's up-and-coming globalizing firms, six produce heavier finished manufactured products or capital goods. The first group consists of the Chongqing General Aviation Industry Group (Helicopters), Sany Heavy Industry Company (construction equipment), Shandong Heavy Industry Group (heavy machinery), and the Beijing CSR Times Electric Locomotive Vehicle Machinery Company (electric locomotives and railroad rolling stock). As it also manufactures machinery for making electric locomotives, the last firm can be considered to be a producer of capital goods as well. Two other firms, which manufacture textile machinery, Jiangsu Jinsheng Industry Company and Shandong Ruiyi Technology Group, also fit into this category. Of these firms, three – Shandong Heavy Industry Group, Chongqing General Aviation Industry Group, and Beijing CSR Times Electric Locomotive Vehicle Machinery Company – are SOEs, with the rest being private companies.

Following manufacturing, the next biggest subgroup of firms, 11 in all, on the second "top 50" list consists of real estate and property development concerns. One of them, the only SOE among these firms, the Guangzhou Yuexin Group, is involved not just in real estate, but finance, infrastructure, and transportation. As was noted earlier, Soufun Holdings is an Internet property/real estate sales and media Web portal. Three other firms involved in property and real estate, the Sanpower Group Company, Shanghai Pengxin Group, and Geo-Jade Petroleum, are conglomerates with a wide range of activities. The first company is a services conglomerate whose involvements extend beyond property to finance, health care, information services, and trading and retail (the case study later on in this chapter reviews its acquisition of the upscale British retailer House of Fraser). The Shanghai Pengxin Group's interests range from urban property and real estate and infrastructure development to agriculture and mining. The agriculture activities include dairy farming, growing of corn, sorghum, and soybeans, raising sheep; the mining consists mainly of copper mining. And notwithstanding its name, Geo-Jade Petroleum is more than just an energy company. In addition to real estate and property development, the activity portfolio of this firm includes trading and selling goods ranging from machinery and building materials to textiles, sporting goods, and cultural products, as well as infrastructure construction, maintenance, and operation. The remaining private property companies are focused on real estate and property development.

Nine of the up-and-coming Chinese globalizing firms are involved in finance. As we have just seen, three of them, the Sanpower Group Company, Geo-Jade Petroleum, and Guangzhou Yuexin Group, have activities stretching well beyond finance. The other firms, however, in this subgroup are focused mainly on finance, especially investment management and services. In addition to the Guangdong Yuexin Group, two other financial institutions, Zhong Chengtong Investment International and CITIC Capital Holdings, are SOEs, while the others are private firms.

Private firms also greatly outnumber SOEs among companies involved in mining and energy on the second "top 50" list of globalizing Chinese companies. In fact, this subgroup contains just one SOE, the China General Nuclear Power Group, which builds and operates nuclear power plants and mines uranium. As noted above, the private Shanghai Pengxin is involved in copper mining, while the Golden Jumping Group does alternative green energy. The other alternative energy firm in this subgroup, Hanergy, produces thin-film solar panels, while the Geo-Jade Petroleum conglomerate is its only company involved in oil and gas exploration.

By contrast, three of the five firms involved in infrastructure and transportation are SOEs. This group includes the already mentioned Guangzhou Yuexin Group and Beijing CSR Times Electric Locomotive Vehicle Machinery Company – as a maker of locomotives and railroad rolling stock, the latter can be fitted into the transportation category. The other members of it are the Beijing Capital Company, which is a water services provider. Geo-Jade Petroleum, whose activities extend into infrastructure construction, maintenance, and operation, and Shanghai Pengxin, which develops urban infrastructure, are the two private firms in this subgroup.

Three firms among the top newcomers to globalization falling into the “new economy” or finished goods manufacturing sectors can also be classified as health-care related companies. These are the biotech company Shenzhen Huada Gene Tech, and the medical devices and equipment manufacturers, Shenzhen Mindray Medical Instruments and Shanghai MicroPort Medical Devices, all of which are private firms. As noted above, Sanpower’s activities as a service conglomerate extend into health, so it too can be included in this subgroup. The pair of companies involved in food processing and agriculture in the second “top-50” list, the infant formula maker Synutra and Shanghai Pengxin Conglomerate, are also private firms. Among the travel companies, both Shanghai C-Trip, mentioned earlier among the “new economy” companies, and Suzhou Youth Travel Service are private firms. Trading and retailing are represented by the Sanpower and Geo-Jade conglomerates, with the latter also involved in cultural and sporting industry activities. Finally, the second “top 50” list also includes one private law firm, Knight and Wood; the private firm express delivery service, Guangdong SF Express Company; and a publishing media firm, the SOE Phoenix Publishing and Media Company.

Top globalizing Chinese enterprises: overall summary and trends

The lists in this chapter present a varied picture of Chinese enterprise globalization. In particular, they point to shifts in the character of this globalization with respect to the balance between SOEs and private firms going global and the activities of these companies.

In the first three lists, SOEs predominate, accounting for close to two-thirds or more of the firms in these rankings. These lists are also marked by the heavy representation of companies falling into the mining, petroleum, and petroleum-related sectors, such as chemicals. Such enterprises make up nearly one-quarter (a dozen) of the companies on the first top 50 list, are among four of the top 10 globalizing Chinese companies, and account for the five biggest transnational mergers and acquisitions undertaken by Mainland China firms. Thanks to the "going out" strategy for ensuring China's supply of oil and other strategic raw materials, mining and petroleum companies have gotten an early start on "going global," accumulating more experience in this area and a higher level of foreign assets in relation to income compared to most other Chinese firms.

By stark contrast, "new economy" type companies have very limited representation on the first "top 50" list. Just one of those firms, Tencent is involved in online communications and social media, with the other four firms supplying "new economy" hardware. This hardware consists of computers (Lenovo in Legend Holdings) or mobile phones and telecommunications equipment (Huawei, TCL, and ZTE), or telecom networks and services (also Huawei). Three of the latter group of companies – Huawei, Legend Holdings, and ZTE – are among the top 10 Chinese globalization performers. These firms also fall into the subgroup of finished goods producers, the one category dominated by private companies among established globalizing companies, with the group of firms manufacturing metals and chemicals and heavier end products (such as ships) consisting almost entirely of SOEs.

Another private firm finished goods manufacturer, the automobile maker Geely Holdings, was also ranked as being among the top 10 globalization performers. This certainly had something to do with its August 2010 acquisition of Volvo, which significantly boosted the size of the firm's overseas assets and income in relation to total assets and income. But that purchase and other Geely transnational M&A did not get it on to the top 10 list of Chinese enterprises undertaking such activity. Only two private companies, Legend Holdings and Shuanghui, are ranked among the top 10 companies in this key dimension of globalization. Petroleum companies, on the other hand, occupy the top three positions in this top 10 list. This is not at all surprising. Due to both their huge size – in recent years CNPC and Sinopec have consistently ranked as among the fourth and fifth largest companies in the world by *Forbes* magazine – and easy access to credit channels from state-owned banks, these firms have the financial muscle needed to go on overseas buying sprees in the search for oil and gas outside of China.

Unlike the first three lists, the list of the top 50 of overseas-listed Chinese companies is made up largely of private companies, with "new economy" type firms being quite prominent, especially with respect to being listed on the NYSE or NASDAQ. Two-thirds of the companies listed on these exchanges, or six out of ten, fall into this category, including three e-commerce firms (Alibaba, JD.com, and 58.com), an online travel service provider (Qunar), online microblogging and social chat platform (Weibo), and mobile phone producer (Cheetah). Among the small number of SOEs on the top 50 list of Chinese overseas-listed companies, just one, Sinopec Engineering Group, is related to oil and gas exploration, while Chinalco, is the only mining SOE. The largest subgroup of SOEs on this list consists of state-owned banks, which account for three of the seven companies involved in finance, with the remainder being a COSE bank and COSE and private investment management concerns. Another seven companies are involved in real estate and property-related activities, all of which are private firms. Finally, this "top 50" list contains various kinds of firms that are largely or entirely missing from the first three lists. These include health-care services providers, pharmaceutical and medical device manufacturers, online gaming companies, firms operating theme parks and hotels, and ones involved in automobile sales and rentals.

Many of the smaller companies that have been listed overseas have undoubtedly done so because of their inability to access credit channels in China, which favor larger firms, particularly big SOEs. Among the "new economy" type companies, particularly ones involved in e-commerce, gaming, and online chat, the large numbers of overseas investors who would view such firms as a good stock-buying bet, also makes getting listed on foreign exchanges an attractive strategy for raising funds. This also certainly applies to the two big private Internet heavyweights on the top 50 list of overseas-listed Chinese firms, Alibaba and Weibo.

A larger number, if not most, of the firms in this group can be expected to expand outward by setting up operations overseas, acquiring foreign companies, and the like. For the smaller companies with limited access to credit in China, the first step in this process has thus involved "going global" in raising the funds needed to engage in outward expansion.

Such business enterprises comprise the bulk of the companies on the last "top 50" list, consisting of up-and-coming globalizing firms. As is the case with the top ranked overseas-listed Chinese firms, "new economy" type businesses form a large subgroup here, consisting of nine firms in all. This group, which consists entirely of private companies, includes not just firms in e-commerce and online gaming, but a software developer and biotech concern. The latter two kinds of businesses are absent from the first "top 50" and two "top 10" lists. As is the case with the first "top 50" list of older globalizing Chinese firms, manufacturing is the biggest sub-category here, consisting of 21 firms in all (including makers of medical devices, but excluding food processors and energy firms). Of those companies, less than a third (six), are SOEs, making the balance between them and private companies among manufacturers in this "top 50" list much more heavily weighted to the latter than is the case in the first "top 50" list of globalizing firms. Moreover, in marked contrast to the highly ranked established globalizing firms, the number of enterprises engaged in finance and property, or 20 in all, nearly equals the number engaged in manufacturing. Indeed, save for Legend Holdings, Dalian Wanda Group, Poly Group, HNA Group, and Metallurgical Corporation of China, companies involved in property and real estate are absent from the first three lists reviewed here.

With the exception of the Guangzhou Yuexin Group, all of the property firms on the last "top 50" list are private companies (by contrast, half of those on the first "top 50" list are SOEs). Practically every subgroup in the last "top 50" list consists largely of private firms, and in many cases, lopsidedly so. Indeed, the only subgroup in which SOEs predominate is infrastructure, where three of the four companies are SOEs. Thus 38 of the 50 new up-and-coming Chinese globalizing companies are private firms. And this list contains three kinds of businesses, a private law firm (King & Wood Mallesons), private express delivery company (Guandong SF Express), and SOE media and publishing company (Phoenix Publishing and Media Company), not present on any of the other lists reviewed here.

With respect to the future trends in Chinese enterprise globalization, among the SOEs, big oil and gas companies may well see their weight being diminished, at least for now and into the immediate future. This is especially true with respect to transborder M&A. To be sure, the big three SOE oil and gas companies – CNPC, Sinopec, and CNOOC – remained the largest buyers of global oil and gas through 2013. However, all are now squarely in the sights of Xi Jinping's tough anti-corruption drive, which is closely investigating their overseas M&A operations. This will certainly make their leaders more cautious about undertaking such deals for the time being. When such activity picks up again, it will be less focused on scale expansion and more on the growth of value and efficiency. The investment targets are also expected to shift from the traditional areas such as Asia, Africa, and Latin America, to North America, due to its more stable political environment and vast shale oil supplies.[5] But as the failure of the CNOOC takeover bid of Unocal indicates, Chinese energy companies could face political opposition in undertaking future M&A in the United States.

By contrast, SOEs engaged in infrastructure and transportation projects should become more important among globalizing Chinese firms in the near future. This trend will be spurred by massive $1 trillion "One Belt, One Road" Chinese Government initiatives, which seek to strengthen overland and maritime trade and transportation links between China and Eurasian countries along the ancient overland and maritime Silk Roads. In Pakistan and Bangladesh alone, China will be spending $45 billion, much of which is going toward road and railway building as well as the construction of a port at Chittagong.[6] This activity will boost the importance of the over a dozen SOEs and the one COSE involved in infrastructure, including power, water, and transportation activities related to infrastructure, on the above "top" lists.[7] It may also put new companies in this category on the "top 50" list of globalizing Chinese firms, such as the shipping firm Cosco. This SOE recently acquired a minority stake in and management rights over the Greek shipping terminal of Piraeus, which is on the western end of the proposed new "Maritime Silk Road."

As China rebalances its domestic economic growth model away from investment and toward greater consumption, the SOE-private firm mix among globalizing Chinese firms ought to shift toward the latter group. To start with, this change in the growth model will enhance the weight of finished goods manufacturers producing consumer durable products and other consumption goods in the overall economy. Unlike producers of basic goods, such as steel and chemicals, these companies are more likely to be privately owned, and as their incomes rise, so too will their ability to "go global." This is particularly true of makers of medical equipment. These concerns, along with health-care services providers and biotech firms, will benefit from the rising demand for medical care brought on by the aging Chinese population and growth of affluent lifestyle diseases. At the same time, they have a strong incentive to expand abroad in order to acquire foreign technological expertise and health-care scientific and managerial know-how.

One group of finished goods manufacturers that will have an especially strong incentive to go global in future years is Chinese textile, clothing, apparel, and footwear manufacturers. Many of these firms, which are largely private enterprises, still remain clustered in Guangdong Province.

But due to labor shortages caused mainly by long-term demographic trends, these companies are facing worker shortages in China, which are significantly raising their labor costs. As China's population ages rapidly in the next few decades, the pool of young workers will continue to shrink, further driving up wages and labor costs for these manufacturers. This will certainly increase the drive to go global, shifting production to low-wage countries in Asia, such as Vietnam, Cambodia, and Bangladesh.

Another subgroup of globalizing firms consisting almost entirely of private companies, "new economy" Internet and online services firms and hardware manufacturers, has already demonstrated their strong prowess, in going global through being listed on foreign stock exchanges. As such firms become flush with funds from such activity and the burgeoning domestic Chinese demand for high- tech gadgets and explosive growth in online shopping, gaming, and social chat and networks, they can be expected to expand their activities overseas. As was noted earlier in Chapter 2, Huawei, TCL, and Lenovo have been pioneers among "new economy" firms making IT/high technology hardware. Among Internet companies, Sinaweibo set up shop in Singapore and Indonesia in 2013,[8] while the online retailer Light in the Box acquired the American social e-commerce website Ador at the start of 2014 (more on that merger in the case studies below).

Another group of private firms whose importance in Chinese enterprise globalization could rise are property development and investment management businesses. This will certainly happen if China goes ahead with far-reaching plans to liberalize and open up its capital account and make the RMB into an international currency. As one key function of a global currency is to serve as a store of value, the second move would involve a marked appreciation in the value of the RMB. A stronger RMB, in turn, would make it more attractive for Chinese investors, both firms and individuals, to invest in assets denominated in foreign currencies. These include not just M&A of foreign companies by Chinese firms – the nearly 10% rise of the RMB vis-à-vis the dollar from 2010 to 2013 fueled a marked rise in this activity whereas the Yuan's recent fall has cooled it down somewhat – but purchase of property, stocks, and bonds by businesses and individual investors. The latter group would also benefit from the removal of existing capital controls, which make it much easier for them to invest overseas. Indeed, this liberalization is almost certain to unleash a flood of Chinese savings on to the world in search of better returns. That, in turn, will creater huge opportunities for the further globalization of Chinese private investment management firms and property development companies.

Thus, future "top 50" lists of established globalizing firms are likely to be less dominated by SOEs, especially oil and gas firms and manufacturers of basic goods. At the same time, the weight of private companies, particularly those engaged in "new economy" type activities, property development, and investment management is growing. As is the case with the rest of China's economy, the globalization of Chinese business enterprises is and will be undergoing rapid change.

Case studies of Chinese top 50 new globalizing enterprises[9]

This final section of this chapter lays out 50 capsule case studies of the firms that made it on to the "top 50" list of up-and-coming globalizing Chinese firms. These studies briefly review the key globalization event for each of these companies. The case studies first serve to draw attention to a set of firms that are less well-known than those of the first "top 50" list of globalizers, but who are playing a key role in Chinese business enterprise globalization. Second, they provide a more detailed look at the rich diversity of paths taken by these firms as they expand outward.

Baidu Online Network Technology (Beijing) Co., Ltd.

In November 2013, Baidu (NASDAQ: BIDU) announced it would enter Brazil. Previously, the Internet search engine giant had been working together with other websites to operate in Brazil, but had not yet begun providing online Internet search services there. On July 17, 2014, Baidu officially launched its Portuguese search engine in Brasilia, the capital of Brazil. This new service integrated the Hao123 affiliated Spark browser and Baidu's antivirus product lines. It was supported by advanced artificial intelligence and big data infrastructure.

Top leaders of both countries attended and witnessed the release of Baidu's Portuguese search engine, marking the first time for heads of state to attend the formal launch of a new Internet service. This high-profile occasion also underscored the determination of Brazil and China to strengthen their cooperation in the field of technological innovation. For Baidu, the world's largest Chinese search engine, making Brazil, a member of the so-called BRICS group with huge growth potential, the launch site for its Portuguese-language search engine suggests that it is successfully laying the groundwork for penetrating this key market. In this model of going global, Baidu is using Brazil as a "bridgehead" to break into other markets in Latin America.

Beijing Capital Co., Ltd.

On the night of March 11, 2014, Beijing Capital Co., Ltd., which boasted 600,008 capital shares on the Shanghai stock market, announced that it would spend NZ $950 million to buy New Zealand's largest waste treatment company, Transpacific New Zealand NZ (TPI NZ). Three months later, on June 21st, Beijing Capital officially declared that it would buy a 100% stake of the New Zealand TPI NZ for NZ $950 million (5.1 billion Yuan). The core business of Beijing Capital had long been in infrastructure, especially water service provision and waste treatment. Starting in 2010, Beijing Capital began doing domestic solid waste treatment business by building upon its long-standing environmental protection activities aimed at ensuring clean water. With this acquisition, Capital Shares added TPI NZ, New Zealand's leading waste disposal company, into its portfolio. This move turned Beijing Capital into China's second biggest domestic solid waste treatment firm with respect to scale. The acquisition was also the largest overseas M&A undertaken by a Chinese company in the area of environmental protection, as well as the biggest solid waste treatment M&A in the history of New Zealand. It clearly indicated that in the increasingly important environmental protection industry, the efforts of Chinese firms in "going global" have shifted from simple contracted projects and output devices in the past to capital operation output through cross-border M&A.

Beijing CSR Times Electric Locomotive Vehicle Machinery Co., Ltd. (CSR Beijing Times)

In September 2013, CSR Beijing Times, owned by CSR Zhuzhou, successfully concluded a cross-border M&A with German Boramtec Bohr & Rammtechnik Berlin GmbH (Boramtec) and signed the equity purchase and transferee contract in Berlin. In doing so, it acquired a 55% share of the German E + M Drilling Technologies GmbH (hereinafter referred to as "E + M").

This is China's first overseas M&A involving the acquisition of a drilling technology manufacturer by a locomotive and railway rolling stock manufacturer and machine producer. Another Chinese rail transportation company, China South Locomotive, had previously initiated two other overseas M&A involving the acquisition of different kinds of foreign manufacturing enterprises. These firms were the British semiconductor maker Dynex in 2008 and its subsequent 2011 acquisition of the Malaysian resources firm Dyner Resources. By acquiring E + M, Beijing CSR Times obtained its first overseas subsidiary, which served as the company's overseas engineering machinery assembly base. This new subsidiary also has provided CSR Beijing Times with a bridgehead to enter into high-end markets such as those in Europe. The deal was therefore of great strategic significance for CSR, helping the firm to optimize its industrial structure and promote the globalization process.

Beijing Perfect World Network Technology Co., Ltd.

In 2013, Perfect World followed Chairman Xi Jinping during his visit to Latin America, using the trip to promote in the region *Perfect World (international edition), Forsaken World*, and other games. In early 2014, Perfect World signed an agreement with the French HI – MEDIA group, thus providing it with a first foothold into the lucrative European gaming market.

As the first batch of Chinese online game companies to expand into the overseas market, Perfect World successfully integrated Chinese culture into popular games. In so doing, it promoted the spread of Chinese culture worldwide, while devising an efficient way of developing the global market within a limited time frame for creating and maintaining products in the new age of the Internet. As part of this effort, Perfect World brought to fruition a "perfect plan" for disseminating Chinese culture. As of July 2014, Perfect World's overseas business had extended to more than 100 countries, with revenues from foreign operations amounting to 30% of the total revenue of the firm. Perfect World's overseas achievements provided a concept for spreading Chinese culture to the rest of the world.

Beijing Xiaomi Scientice and Technology Co., Ltd.

On January 1, 2014, Beijing Xiaomi announced through its official Facebook account that it would enter the Singapore market in 2014. In 2013, Beijing Xiaomi extended its operations to Taiwan and Hong Kong. In 2014, it would do so in another ten countries – Malaysia, the Philippines, India, Indonesia, Thailand, Vietnam, Russia, Turkey, Brazil, and Mexico. By the end of 2013, Xiaomi was doing business in 58 countries and had more than 30 million users. On April 22, 2014, Xiaomi's new domain name mi.com came online.

Beijing Xiaomi began its effort to go global toward the end of 2013. In October of that year, the former vice president of Google's Android global product line, Hugo Barra, joined Xiaomi and served as its vice president in charge of international business. In this new capacity, Barra unfolded a scheme for a comprehensive globalization process. As measured in the time scale, Xiaomi's international experience is very short.

Nevertheless through Internet technology and the "Triathlon" model of combining the "software + hardware + Internet service" (CEO Lei Jun' s quote), the firms has found a new way to exploit the international market and will yield high satisfaction and a good experience for its foreign customers.

Belle International Holdings Co., Ltd.

In August 2013, through its wholly owned subsidiary company Puguan Co., Ltd., Belle purchased from CLSA Sunrise Capital a 31% stake of the Japanese clothing retailer Baroque at a price of $94 million. With this deal, L.P., successfully crossed over into the women's clothing industry.

As China's biggest producer of women's footwear, Belle chose to enter into the intensely competitive women's clothing market whose rivalry has shifted from price competition in early days to today's brand competition. Given this change, acquiring a mature overseas brand made very good sense for Belle. The acquisition was like killing two birds with one stone. Belle integrated the design and management advantages of Baroque with its marketing channel to enter the Japanese market and realized the co-development of its clothing and footwear business.

BYD Company, Ltd.

On July 17, 2014, with China and Brazil's top leaders looking on, BYD Co., Ltd. (BYD, 002594. SH) and Brazil's Exports officially signed a contract in the Brazilian Presidential Palace in Brasilia. Under the terms of this deal, which was overseen by the Chinese Government Investment Promotion Bureau, BYD boosted its investment in Brazil. That figure now stands at $400 million.

This move marked the first time BYD had invested in building a battery factory in South America. That facility, the largest factory of its kind on the continent, filled a crucial gap in the development of Brazil's iron battery sector. At the same time, it was the largest overseas investment in new, alternative energy vehicles undertaken by a Chinese car company. Before doing this project, BYD had officially announced that it would establish a new alternative energy bus factory in Brazil and build an R&D center in South America.

The expansion of BYD into Brazil has not been the only instance of how the firm has been especially active among green vehicle produces in seeking to deepen its global footprint. For example, BYD was the only Chinese alternative energy automobile producer that took part in the collective contract signing ceremony between China and Pakistan involving 35 firms.

Chery Automobile Co., Ltd.

In August 2014, Chery successfully finished building its factory in Jacquard Ray City, which is located in the State of Sao Paulo in Brazil, with a total investment of $400 million. The factory has three production lines – assembly, welding, and coating – with the first phase of production capacity reaching 50,000 units. After the completion of phase 2, production capacity will rise to 150,000 units and the factory will be upgraded to Chery Industrial Park.

The Brazil factory is not only Chery's first factory in South America, but its biggest overseas production facility. This makes it the most significant case of the Chinese carmaker setting up a wholly owned factory outside of Mainland China. Chery also plans to use its Brazil factory as an important production base from which it can expand into car markets throughout South America. This move also underscores how the global reach of Chinese brands has shifted from being based on simple trade in manufactured products to a new and higher stage. These firms are going global to control the whole value chain system output, including investment, localization, R&D, and production.

China Guangdong Nuclear Power Corporation (CGNPC)

In April 2014, the Namibia Lake Mountain uranium mining project was formally started and became CGNPC's natural uranium supply base. Two years earlier, in 2012, CGNPC concluded the 100% equity acquisition of Lake Mountain uranium projects.

The total Lake Mountain uranium project resources amount to 286,000 tons of triuranium octoxide, which can meet the demand for 20 million-kilowatt nuclear power units for over 40 years. This mine has the world's third largest uranium deposit. The mining project is the biggest cooperative project undertaken between China and Namibia, China's largest industrial investment project in Africa, and a landmark initiative for Sino-African economic and trade cooperation.

China Vanke Co., Ltd.

In January 2013, China Vanke (Vanke A, 000002. SH) joined forces with Hong Kong New World to buy the Tsuen Wan property in Hong Kong. In February 2013, Vanke worked with Tishman Speyer Properties to develop the San Francisco Folsom Street project. Then in April 2013, Vanke and Keppel Land cooperated for the first time to break into the Singapore market. And in February 2014, Vanke collaborated with the American real estate developer RFR, Hines to jointly develop the 610 Lexington Avenue construction project in Manhattan, New York City.

Long the leader in domestic Chinese real estate sales, Vanke began expanding overseas in early 2013. This decision to go global was prompted by stricter real estate regulation and increased uncertainty in China. For China's real estate market, Vanke's action was like the canary in the coal mine, serving as a critical early warning indicator of the emerging trend of Chinese real estate firms expanding overseas in response to changes in the Mainland Chinese property market.

China Equity Group, Inc.

In March 2014, as President Xi Jinping and the prime minister of Belgium looked on, China Equity Group signed a contract with its European partners to set up the "Sino-Europe Science and Technology Industry M&A Fund". In June, under the auspices of the government leadership in the two countries, China Equity Group, Eve Group, and the Italian fashion group Pianoforte Holding SpA, signed an investment agreement to establish Jas. Cool fashion Co., Ltd. Through buying the world's top fashion brand equity and cooperating with European private equity (PE) institutions, China Equity successfully concluded this transnational merger and acquisition. The cross-border M&A fund not only provided financial support for Chinese enterprises to go global, but also offered a new way of thinking for Chinese private equity (PE) transformation.

China Equity set up a model for the Chinese PE to go global. In 2012, Investindustrial purchased Aston Martin, and acquired the French fleet "Challenger" in 2005 to set up the "Chinese team" in the American Cup Sailing Games. The America's Cup, Olympic Games, World Soccer Cup, and F1 Racing Championship are among the four biggest traditional sporting events in the world, and China Equity's investment in the sailing business underscores how the attention of the new generation of Chinese entrepreneurs is becoming fixed on the maritime sporting sphere, and recognizes the key role of innovation and team competition in major athletic events.

Chongqing General Aviation Industry Group Co., Ltd.

On January 4, 2013, Chongqing Helicopter Industry Investment Co., Ltd., (Chongqing Direct Investment) bought all the shares of the U.S. Ernst Dragon Helicopter Company in a formal ceremony that was held in East Lansing on the campus of Michigan State University. Chongqing Direct Investment had signed the purchase contract with U.S. Ernst Dragon Helicopter on September 25, 2012, thereby finishing the share purchasing process within three months to obtain control over the 54-year-old Ernst Dragon helicopter firm.

This deal marked the first time for a domestic Chinese aviation firm to acquire an internationally well-known helicopter manufacturer based in a North American or European developed country. The acquisition makes it possible for Chongqing Direct Investment to enter the world's main market for the highest-speed light helicopters. This move also enabled Chongqing Direct Investment to participate in the development of the global general aviation industry chain. Drawing upon Chongqing Helicopter's advantages in accessing the Chinese capital market and obtaining government support, Ernst Dragon has become better able to expand in both Mainland Chinese and world markets.

CITIC Capital Holdings, Ltd.

As China's outward direct investment continues to increase, the demand for foreign exchange as well as the hedging and diversification of asset allocation will also rise sharply. To address the growing needs of Chinese firms operating overseas in these areas, CITIC Capital Holdings formally established the hedge funds platform CCTrack Solutions (CCTrack) in January 2014. This new entity is dedicated to providing more innovative strategic hedge fund products for institutional investors in North America, Europe, and Asia.

As one of China's major alternatives for investment management and a financial advisory body, CITIC Capital has created many firsts in multiple industries. It has been the first entity to be directly involved in project development and organization management, first to participate in restructuring the state-owned enterprises and creating landmark trading institutions, first to conduct alternative investment mergers and acquisitions in Japan, and the first company to cooperate with foreign institutions to build investment funds overseas. CITIC Capital has recently emerged as one of the most international Chinese PE firms.

Country Garden Holdings Co. Ltd.

In 2013, Country Garden Holdings (Country Garden, 02007. HK) successfully launched its first overseas project in Malaysia and became the Malaysian national sales champion soon after opening. Within less than a year, Country Garden successfully bought three properties in Malaysia, while also developing significant residential programs. In 2014, Country Garden speeded up the pace of overseas investment. At the end of February, with $73 million Australian dollars, Country Garden purchased a development property located in the northwest part of Sydney, marking its initial entry into the Australian market.

As a domestic Chinese large-scale comprehensive real estate developer, Country Garden has made practicing CSR in the Malaysian market an urgent priority. It has successively participated in local charity campaigns, helped to fund school construction, set up scholarship and financial aid funds, and generously donated to charity. Country Garden's education charity efforts have generated will feeling among the local Malaysian people toward the company. At the same time, Country Garden has left a good impression on the local communities with its CSR. This development has and provided a reference for Chinese enterprises going global with respect to developing the market, promoting brand influence, and implementing CSR.

Cybernaut (China) Investment Co., Ltd.

In March 2014, Cybernaut and Huayang Group signed a cooperative agreement with the Switzerland-based Partners Group to develop comprehensive strategic cooperation in the field of private equity investment. The Partners Group's strong international network and rich experience in international and domestic investment has enabled the fund and company to choose the most suitable partners and speed up its globalization process.

Cybernaut is mainly active in the new energy, finance, education, medical treatment, and high-tech industries. It is committed to working with entrepreneurs to build real business partnerships, thus creating a new model of combining returnee talent and corporate cooperation, PE, and venture capital investment. This model is known as the "Sea turtles + Private enterprises + Venture capital," which means that the skillful returnees, through venture capital, are joined together with private companies, through venture capital, to form new start-up firms. Following a development period for these companies, venture capital became involved with them, providing ongoing value-added services. This model rapidly emerged as a highly efficient method of assisting new businesses, and has enjoyed very fast growth.

Fuyao Glass Group Industries Co., Ltd.

On July 19, 2014, Fuyao Glass (Fuyao Glass, 600660. SH) announced that the company's wholly owned subsidiary Fuyao Glass US acquired two U.S. PPG floating glass manufacturing lines for $56 million. In September 2013, Fuyao invested $200 million in Luca California as part of a plan to set up a production base with a capacity of 3 million sets of automobile safety glass. This move marked the first time Fuyao had established an overseas production facility.

The California factory is the Fuyao Glass's first overseas M&A deal. Its $400 million price tag also made it the single largest investment undertaken by a Chinese auto parts company entering the U.S. market. Fuyao is the biggest Chinese automotive glass manufacturer. It has recently invested in North America to form a complete set of solutions to address its raw materials supply problems. Fuyao is also using this investment to accelerate the progress of Fuyao Group in the North American market and grow its market share in that region.

Geo-Jade Petroleum Corporation

On December 3, 2013, Hainan Zhenghe Industrial Group (Zhenghe Share, 600759. SH) released a plan to continually raise more funds. With this move, it obtained $3.1 billion through its overseas wholly owned subsidiary, Zhongke Dutch Energy Group, Ltd., to acquire a 95% stake in the Kazak Martel Oil Company. In February 2014, the acquisition was approved by the Kazakhstan Competition Protection Agency, which deals with anti-monopoly matters, and registered in China with the National Development and Reform Commission. On August 8th, the acquisition was formally handed over at a purchase price of $525 million. On August 28th, Zhenghe Shares officially changed its name to "Continental Oil and Gas." With the ever-increasing macroeconomic regulation and control in the real estate industry and rising competition in the domestic Chinese real estate market, Zhenghe Shares is proactively trying to re-invent itself. Through the Marten Oil Company acquisition, Zhenghe Share finished its main business transformation, becoming the largest enterprise in the domestic oil and gas exploration and development market. It is also the largest privately listed Chinese firm involved in oil production. At the same time, the acquisition is by far and away the biggest investment project undertaken by a Chinese private enterprise in a Kazakhstan oil and gas field.

Glodon Software Company, Ltd.

In March 2014, Glodon Software Company Limited (GLD, 002410. SZ) announced that it would pay 18 million euros (160 million Yuan) to buy a 100% stake in the Finnish software company Progman. In June, the acquisition was finalized, and Progman officially became part of Glodon. With this move, Glodon began building its European-based R&D, marketing, and operations centers.

Following 2009, Glodon successively set up subsidiaries in the United States, Singapore, and Hong Kong. In this expansion process, the acquisition of Progman marked the start of Glodon's move into the European market. It was also the first cross-border M&A undertaken by a Chinese architecture firm. The Finnish architecture industry has higher standards and extensive experience in constructing innovative and sturdy buildings stretching back over a century. In the course of doing that, Finland has accumulated a wealth of advanced technology in the architectural field. By acquiring Progran, Glodon has been able to introduce Finland's excellent construction technology to China. That, in turn, has served to raise the quality of construction and management in the company.

Golden Jumping Group

In June 2014, the Heilongjiang-based private company Golden Jumping Group, which is focused on high technology and alternative energy, invested 50 billion won (about 300 million Yuan) in a solar photovoltaic power station project in South Korea. The project quickly began its formal trial, making it the speediest solar project ever undertaken in South Korea. Some 80% of electromagnetic component technology and equipment of this project came from China.

The power station is a role model of strategic cooperation between China and South Korea and the largest new energy project in South Korea undertaken by a Chinese enterprise. The facility is currently South Korea's fifth largest solar power station.

Goodbaby International Holdings Limited Co., Ltd.

On January 28, 2014, Goodbaby International Holdings Ltd. (Goodbaby International, 01086. HK) announced that it would buy the German maker and supplier of children's products Columbus Holding GmbH. In making this purchase, Goodbaby paid the full price for Columbus Holdings' shares, bringing the cost of the transaction to 70.7 million euros. On June 6, 2014, Goodbaby International announced the acquisition of Evenflo, an American brand in products for children that has a 100-year history.

Goodbaby is the world's largest producer of prams for babies and toddlers. Beginning in 2007, Goodbaby set up R&D centers in the Netherlands, the United States, and Japan, and other countries and regions. In 2014, Goodbaby accelerated the pace of its globalization. By acquiring Columbus Holdings and Evenflo, it completed its preliminary layout of globalization. Goodbaby now has the most influential brands, strong localized management teams, and effective marketing service systems in Europe and North America. A global brand with localized services and systemized production and marketing research is gradually being formed.

Great Wall Motor Co., Ltd.

In May 2014, Great Wall Motors signed an official cooperation agreement with Russia's Tula regional government. Under it, Great Wall Motors will invest a total of $500 million in two phases in this project that expects to produce 150,000 cars per year.

This deal is the biggest investment project by a Chinese private enterprise in Russia. It is also the first time a Chinese auto producer has established car production facilities in Russia extending to stamping, welding, painting, and the assembly process. It thus constitutes Great Wall Motors' first whole process overseas vehicle factory,

Golden Dragon Precise Copper Tube Group, Inc.

On May 28, 2014, a project based in the small town of Pine Hill, Alabama, involving production of 60,000 tons of precision copper pipe was completed and began operating. The project was invested in by China Golden Dragon Precise Copper Tube Group (Golden Dragon), which put $100 million into the Pine Hill facility.

Setting up a U.S.-based factory was an instinctive reaction on the part of Golden Dragon not just to exploit an overseas market, as it also stemmed from its passion in the manufacturing field. As the biggest refrigeration units with precise copper tube producer worldwide, Golden Dragon has an over 30% share of the global market. The Pine Hill project is the Chinese copper processing enterprise's first investment project in the United States. It is also one of the biggest Chinese investment projects so far in the country.

Guangzhou Yuexiu Group

In October 2013, Yuexiu Group's financial holdings acquired a 75% stake in Chong Hing Bank at a price of HK $11.64 billion (RMB 9.1 billion).

This deal marked the first acquisition of a Hong Kong local bank by a nonbank financial institution in almost 27 years. It was also the first case of a local Mainland China state-owned enterprise sealing a deal involving the M&A of a foreign bank. Finally, it was Guangzhou's largest overseas M&A since the Reform and Opening Up policy. Through practical operation, the Chong Hing Bank acquisition was an important breakthrough in the following key areas: "acquisition of subject qualification, large scale deals to remain being listed, and confidential financing." It thus marks the basic formation of the international financial holding group's strategic pattern with financial institutions such as banks and securities companies being at the core of its business planning.

Hanergy Holding Group, Ltd.

On August 13, 2014, Hanergy Holding announced that it had acquired the American Alta Devices, but did not disclose the amount involved in the purchase.

Hanergy Holding is the world's largest thin-film solar power generation company. Since 2012, Hanergy successively completed the acquisition of German Solibro, American MiaSole, and Global Solar Energy. By acquiring Alta Devices, Hanergy obtained the highest conversion rate of thin-film solar technology, which is gallium arsenide (GaAs), an efficient flexible thin-film technology. This move will further enhance its global technological edge in the international solar photovoltaic industry and form a worldwide industrial chain for R&D and production.

Hillhouse Capital Group Co., Ltd.

In February 2013, by cooperating with Indonesia's largest media group, PT Global Mediacom (PT), Hillhouse Capital helped Tencent launch its globalization drive by forming a joint venture with the Indonesian media firm. This project enabled Tencent to gain a foothold in Indonesia's rapidly developing social media market. Tencent WeChat now has 50% coverage of smartphone users in Indonesia, and the number of Indonesians using the service is rapidly growing. With the help of Hillhouse Capital, Tencent created its mobile Internet business model to expand in a key emerging market and grasp its development opportunities.

Tri-Ring Group Corporation

In May 2013, Hubei Tri-Ring Group's holding company Xiangyang Automobile Bearing acquired an 89% stake in Poland's largest bearing company KFLT, which is controlled by Poland Industrial Development Bureau. Hubei Tri-Ring Group did not disclose the amount of money involved in the transaction.

This acquisition became this Chinese automobile bearing enterprise's first overseas M&A. It was also the first case of a Hubei province SOE undertaking a transnational M&A. Through this "borrow ships to go global" model reviewed earlier in Chapter 2, Tri-Ring successfully entered the European market, taking a key step in going global. Through the acquisition, Tri-Ring can give full play to its comparative advantage in bearing production and make Xiangyang Bearing a world-class bearing enterprise with first-rate technology, products, and service.

Jiangsu Jinsheng Industry Co., Ltd.

In June 2013, at a price of 4.23 billion Yuan, Jinsheng Group successfully acquired the global textile giant Oerlikon Textile. Under this deal, Jinsheng obtained the natural fiber and textile machinery special parts assets, along with the equity of ten companies in Germany, Switzerland, and the United States.

This is by far the largest overseas acquisition undertaken in the Chinese textile industry. Chinese prime minister Li Keqiang and German chancellor Angela Merkel jointly witnessed the signing of the merger documents. As Chinese textile producers seek to accelerate the restructuring and adjustment of the domestic industry, most firms are choosing to undertake M&A with other Mainland China-based companies. However, Jinsheng Group has done otherwise, opting to upgrade itself by doing an overseas M&A. This has provided a new operational model for adjusting and restructuring the Chinese domestic textile industry to enhance its operation. This acquisition will also help change the global textile machinery industry and enable Jinsheng to take a leading position in this sector.

King & Wood Mallesons

In 2014, King & Wood Law Firm became the Chinese legal advisor of the six lead underwriters in the project to list Alibaba on the New York Stock Exchange. Earlier, in March 2012, King & Wood joined forces with the 180-year-old Australian law firm Mallesons Stephen Jaques. In November 2013, King & Wood aligned with the international law firm SJ Berwin to form a global law firm alliance. Following this move, King & Wood boasted 31 law firms all around this world, with 2700 lawyers and 550 partners. King & Wood has thus transformed itself from being a Chinese domestic law firm into a leading international law firm with a significant worldwide presence.

By actively going global through forming alliances with global law firms, King &Wood's practice has provided a new way for law firms in China to expand internationally so they can better serve the globalization drive of Chinese enterprises. In June 2014, King & Wood was awarded the first prize of the "Top 25 Most Innovative Firms" in the Asia Pacific Region at the "2014 Asia Pacific Most Innovative Law Firms" Ceremony by *Financial Times* in Hong Kong.

Landsea Green Properties Co., Ltd

In the second half of 2013, Landsea acquired the lots 57–58 on the Jordan Ranch in the San Francisco Bay Area. It then used the land to construct 109 sets of townhouses, naming this new development the "Landsea Caesar Manor."

Green real estate is a new real estate model integrating high technology into commercial and residential construction. As a domestic Chinese green estate pioneer, Landsea launched its strategic layout in the American market in 2013. In addition to implementing advanced green environmental protection design and construction concepts and techniques, Landsea also sought to make its business model more innovative. By forging links with domestic immigration service companies, Landsea provided a series of overseas education, immigration, and investment services to inject fresh elements into the paths taken by Chinese green real estate companies in expanding overseas.

LightInTheBox Holdings

On January 6, 2014, LightInTheBox (NYSE: LITB) announced it had completed the acquisition of the American social e-commerce site Ador. According to the company's official notice, the acquisition was paid for in cash, but the amount of the transaction was not disclosed. On June 6, 2013, LightInTheBox was listed on NYSE.

LightInTheBox's acquisition was based on the view that the essence of enterprise globalization is talent globalization. LightInTheBox is the most international Chinese foreign trade enterprise with employees from more than 20 countries, while 95% of its business is generated abroad. With the acquisition of Ador, LightInTheBox expanded its territorial reach in the field of global e-commerce. More important, by acquiring Ador, LightInTheBox also recruited Ador's two managers, who have a strong global leadership and professional background as well as rich experience doing e-business and commerce. The company's CEO Guo Quji said that having these two individuals join his firm's team would be instrumental in promoting the long-term development of the company.

Phoenix Publishing & Media Co., Ltd.

On July 16, 2014, in a formal ceremony held in Chicago, Phoenix Publishing (Phoenix Media, 601928. SH) acquired the American publisher of books for children, PIL. With $80 million, Phoenix Media bought PIL's business and the equity and assets of its overseas offices in Germany, France, Britain, Australia, and Mexico.

Globalization is an important element in the overall development strategy of the Phoenix Media Group. In recent years, Phoenix Media successively set up branches in the UK, Australia, and other countries. Phoenix bought PIL because acquiring an American publishing firm was its most realistic option for expanding in the foreign publishing and media field. Through the acquisition, Phoenix Media obtained PIL's electronic children's audio book publication resource, giving it a new strategic development platform in North America. The acquisition is also the first overseas M&A undertaken by a Chinese publishing industry firm, thereby paving the way for future such activity among other media and cultural affairs companies in China.

Sanpower Group Co., Ltd.

In April 2014, China's private service conglomerate Sanpower Group acquired an 89% stake in the British department store House of Fraser through its affiliated company Nanjing Xinbai. According to the press release regarding this purchase, the transaction amounted to nearly 480 million pounds (578 million euros).

The deal was China's biggest overseas acquisition in the retailing industry. It also marked the biggest overseas investment by a Chinese retail company, the largest A shares direct purchase, and the first multinational M&A project undertaken without pre-approval from the Chinese Government. The House of Fraser was founded in 1849 and is one of the largest retailers in the UK, with 60 stores scattered across the country.

Sany Heavy Industry Co., Ltd.

In July 2014, Washington, D.C. Circuit Court of Appeals ruled in favor of the SANY Group's American affiliate company Ralls over the prosecution mounted against it by the Obama administration and the Committee on Foreign Investment in the United States (CFIUS). This case can be traced back to July 2012, when CFIUS banned a wind farm project proposed by Ralls on the grounds that it constituted a "threat to U.S. national security." Following that judgment, President Obama issued an executive order suspending the wind power project, marking the first time in 22 years that a U.S. president had stopped a foreign takeover of an American company.

Sany Heavy Industry viewed this case as involving not just its business, but corporate integrity. When going global, most Chinese firms have chosen to stay silent when their rights are violated. Thus SANY's decision to fight in court the CFIUS decision and subsequent executive decision by President Obama against it marks a key turning point in this area. It underscores how Chinese enterprises are becoming more conscious of their legal rights in conducting overseas investment, providing a role model for the Chinese enterprises in this area as they seek to go global.

Sequoia Capital China

Perhaps the most significant event in 2014 in the global e-business field was the listing of Alibaba and Jingdong on the New York Stock Market. The growth and successful landing of these companies on the American capital market was supported by the same agency, Sequoia Capital China. As a well-known PE institution positioning itself as a company behind the "entrepreneurs," Sequoia Capital has, since being founded in 2005, invested in more than 150 companies that have distinct technologies and innovative business models. These include not just Alibaba and Jingdong, but Jumei as well, with all three firms experiencing highly successful large-scale overseas public listings. Sequoia China has made great achievements in helping entrepreneurs, and also acquired legendary status among Chinese capital services firms for getting nine projects listed in a single year.

Shandong Heavy Industry Group Co., Ltd.

On June 4, 2013, Shandong Heavy Industry Group's affiliate company Weichai Power Co., Ltd., announced that its wholly owned subsidiary Power (Luxembourg) Holding had issued a circular to exercise the call option with Kion Group AG. On November 25, Weichai announced that it had been authorized by shareholders to have Power (Luxembourg) conduct call options on Superlift, a shareholder in the Kion Group AG. Under this arrangement, Power (Luxembourg) acquired Superlift's 3.3% share of the Kion Group AG's issued capital stock, while holding 33.3% of the issued share capital of the Group. In July 2014, the European Commission, according to the simplified review M&A program, approved Weichai Power's acquisition of Kion Group AG, stating that the mergers will not create competition problems. Kion Group AG is Europe's largest manufacturer of forklifts and also the world's second-largest manufacturer such equipment by revenue and sales volume. Before Weichai Power undertook the acquisition, its shareholders were Superlift, Power (Luxembourg) Holding and Kion Management Company. In January 2012, Shandong Heavy Industry also signed an agreement with the Italian luxury yacht manufacturer and paid 374 million euros for Ferretti's 75% stake in the company, including 100 million euros and a loan of 80 million euros.

This acquisition constitutes a successful case of overseas bargain hunting by a Chinese company, which showcased Shandong Heavy Industry's excellent acquisition skills and provided a template for other Chinese enterprises. Weichai Power's acquisition of Kion began in September 2012, when the European economy was mired in recession and Kion was bearing a heavy debt burden. Weichai Power immediately decided to buy a 25% stake of Kion through its wholly owned subsidiary Power Luxembourg. After obtaining 467 million euros worth of acquisition capital, it bought a 70% stake of Kion's subordinate hydraulic business at the price of 271 million euros. According to the agreement, Weichai Power has the right to increase its share up to 30% of the total shares in the period prior to Kion's IPO and dilution. Thus, on June 30, 2013, or within three months after the completion of the IPO, Weichai was able to buy shares from Kion's shareholder Superlift to increase its stake in Kion by another 3.3%.

Shandong Ruyi Technology Group Co., Ltd.

In January 2014, Shandong Ruyi Technology Group Co., Ltd., completed the acquisition of a 51% stake in Masood Textile Mills in Pakistan. With this agreement, Ruyi began two construction projects, one involving a textile and garment industry park, the other a coal construction project. Both projects were located in Pakistan's Punjab province. In June 2014, together with Shandong Huaneng Power Generation Co., Ltd., Ruyi invested 11.2 billion Yuan, to start the Sahiwal Pakistan coal-fired power project, which will be Pakistan's largest coal-fired power plant once it is completed. Ruyi is a private company and had little experience with coal-fired power projects before entering the Pakistan market. However, the firm actively cooperated with China's large state-owned enterprises with experience in this area, notably Huaneng and the Power Construction Corporation of China, to jointly explore the Pakistan market. By drawing upon the complementary advantages of private business and state-owned enterprises, Ruyi established a useful mixed ownership mode of private enterprises going global involving the merger of Chinese private and state-owned business.

Shandong Yongtai Group Co., Ltd.

In July 2013, together with British TIA Tire Co., Ltd., Shandong Yongtai Group spent 30 million pounds to buy Covpress International Holdings, officially unveiling Yongtai's overseas strategic road map. Since then, Yongtai has invested more than 1 billion Yuan to establish Shangdong Covpress to provide auto accessories for leading global automakers.

In the face of increasingly fierce competition among domestic Chinese tire makers, Yongtai used the acquisition of TIA to take its business in a new direction. This new direction involves transforming conventional automobile tire production into an advanced manufacturing industry on the basis of the latest chemical industry technology. At the same time, by combining going global and technological upgrading, it provides a solid technical support and broader market space for Shandong Yongtai to build state-of-the art industrial parks overseas. This will help Shandong Yongtai turn itself into a global leader in providing services and advanced products to automobile manufacturers.

Guangdong SF EXPRESS Company

In September 2013, Guangdong SF Express officially opened its SFbuy station in the United States. Through its international service channel, SF carried out a consumer investigation called "Hai Tao Feng Yun" and entered into the "Buying worldwidely + Delivering overseas" business. In August 2014, "Quanqiushun," a purchasing agency dedicated to overseas direct sales, was launched, initially as the "Hong Kong – China Mainland" business line.

SF Express is China's largest private express company and its first one to go global, setting up branches in Singapore, South Korea, Malaysia, Japan, the United States, Vietnam, Thailand, and Australia. With the rapid development of cross-border delivery and the fierce competition of the domestic e-business enterprises, SF first scoped out its international e-business market and then implemented the "Buying world widely + Delivering overseas" business model. This move constituted a new stage in the development of China's express industry.

Shanghai Ctrip International Co., Ltd.

In April 2014, after strategic cooperation with leading overseas tourism e-business companies such as Booking.com and toursforfun.com, Ctrip began entering the European market by investing 50 million Yuan in the German KaiYuan Travel Group. Ctrip plans to complete the acquisition of the entire equity interest of KaiYuan before 2019. On August 21, 2014, Ctrip announced that it had formally established a branch company in Seoul, South Korea. At the same time, it launched the Korean Ctrip website and mobile application for South Korean tourists to travel to the Greater China region.

Ctrip has up to now successfully completed a series of overseas platform operations. These platforms have first served to address the company's earlier weakness in the outbound travel business. Moreover, they are a critical investment by Ctrip in completing its upstream and downstream tourism industry chain layout. That will help Ctrip in building a one-stop travel service platform, further enhancing its drive to go global.

Shanghai MicroPort Medical Instrument (Group) Co., Ltd.

On June 21, 2013, Shanghai MicroPort Medical Instrument (Group) Co., Ltd. (MicroPort Medical, 00853.HK) announced its acquisition of the orthopedics operations of the American Wright Medical Group, Inc. (Wright) Medical for $290 million. On January 10, 2014, MicroPort announced its official acquisition of Wright's Ortho Recon joint reconstruction business and related assets, with the transaction amounting to 1.8 billion Yuan.

This deal has by far been China's biggest cross-border M&A in the medical equipment industry. MicroPort is China's largest medical stent products manufacturer, with the highest share of cardiovascular stent sales in the country. It has thus been best known for its cardiovascular interventional products. However, in recent years, MicroPort has repeatedly shown a great interest in the orthopedic joint business. Through the acquisition of the orthopedics branch of the Wright Medical Group, MicroPort became the world's sixth largest international company in the orthopedic hip and knee reconstruction business.

Shanghai Pengxin (Group) Co., Ltd.

In November 2013, at a price of 460 million Yuan, Shanghai Pengxin Group paid approximately 460 million Yuan to acquire a 74% stake in the Synlait Dairy Farm, which covers an area of about 4,000 hectares in New Zealand's Canterbury Region. Safe milk is one of the most important factors in ensuring milk powder quality. With the confidence of Chinese consumers in the quality and safety of domestically produced milk plunging, securing access to supplies of overseas milk has become a main priority for Chinese dairies. Pengxin Group is a diversified private enterprise, and with its acquisition of Synlait Dairy, it became the first private Chinese firm to obtain access to raw milk in New Zealand. This transaction also set a new record with respect to foreign private investment in a New Zealand dairy.

Shanghai Zendai Investment & Development Company Ltd.

In 2013, at a price of 1.1 billion South African Rand (about HK $838 million), Shanghai Zendai bought a number of property assets, including an area covering nearly 1,600 hectares of dry land and 400 acres of wetlands, from South Africa's largest producer of specialty chemicals, AECI, which is based in the Modderfontein area of Johannesburg, South Africa. Shanghai Zendai did so to create Modederfontein New City, which is to be South Africa's future ecological smart city. This green and vibrant conurbation will be built over the next 15–20 years and serve as a signature business card for South Africa, aimed at enhancing the country's international appeal and reputation.

Shanghai Zendai's Modderfontein New City in Johannesburg, South Africa provides Chinese real estate companies with a new model for going global. It shows when such firms enter foreign markets in Africa and elsewhere around the world they can break the pattern of a single residential development. By combining the development of the local economy, society, and market demand, these firms can develop more comprehensive diversified projects. From a long-term point of view, this model can bring considerable economic benefits not just for the real estate company, but also promote the development of the local economy. That, in turn, enables the overseas investing company to establish deep local roots and build a solid foundation for doing long-term business, realizing a truly win-win situation for it and the host community.

Shenzhen Huada Gene Technology Co., Ltd.

In March 2013, through its wholly owned subsidiary Beta Acquisition Corporation, Shenzhen Huada Gene completed the acquisition of the American-listed company Complete Genomics (hereinafter referred to as CG). Huada Gene paid cash to buy 100 % of the tradable shares of CG at $3.15 per share equity. The cost of the transaction amounted to $117.6 million.

This deal was the first time for a Chinese biotech company to fully merge with an American biotech company. The move is especially significant in view of the fact that the United States has the world's most highly developed biotechnology industry. Huada's successful acquisition of its American counterpart sets a role model for science and technology enterprises in China, demonstrating to them that through M&A, they can achieve a technical leap in the short-term.

Shenzhen MINDRAY Medical International Co., Ltd.

On June 13, 2013, MINDRAY Medical International Co., Ltd. (NYSE: MR) announced that the company had reached a final agreement with the U.S. ultrasonic diagnosis system manufacturer ZONARE Medical Systems. Under it, MINDRAY bought ZONARE for a price of $105 million. The deal is the 10th purchase Shenzhen-based MINDRAY has made since being established and its second acquisition in the United States. On

September 13, 2013, Shenzhen MINDRAY announced the acquisition of its previous distributor Ulco Medical Co., Ltd. based in Australia. Following the completion of this merger, Ulco became MINDRAY's Australia branch.

As the current leader among Chinese medical equipment enterprises, MINDRAY has made such acquisitions part of its standard business operation. In cross-border M&A, MINDRAY follows the "fusion" concept, focusing on the complementary synergy of the merged businesses. Through mergers and acquisitions, MINDRAY's product line has been extended from monitoring devices, medical imaging, and similar equipment to surgical tools, medical information, and other fields. All of this has helped MINDRAY become a leader in China's burgeoning medical equipment industry.

Sichuan Bohong Group

On March 28, 2013, Bohong Group successfully concluded acquiring a 100% equity stake in Wescast Industries, Inc., in Canada, with the transaction amounting to RMB 1.6 billion. Sichuan Bohong Group signed the acquisition agreement with Wescast Industries on June 20, 2012, which included buying its equity and bearing its debt.

This was the first case of a snake-like swallowing kind of M&A to have occurred in the Chinese automobile parts industry. It was also the largest industrial enterprise M&A project in the history of China and Canada. Wescast Industries, Inc., has a history stretching back over 100 years and, at the time of the merger, was one of the largest suppliers of car and light truck exhaust manifold castings in the world. Bohong's acquisition will enable the company to obtain Wescast's advanced technology, strengthen its R&D, and broaden its sales and distribution channels.

SouFun Holdings Co., Ltd.

In May 2014, SouFun Holdings announced it would establish a strategic partnership with the world's largest real estate media firm, the REA Group. After establishing cooperative ties at that time with the largest U.S. housing management agency ListHub to introduce the latest American houses, SouFun began taking another step to penetrate the overseas real estate market.

SouFun has been actively arranging the overseas market, setting up an international business department with the aim of building a professional one-stop platform for Chinese firms to make overseas purchases. It has established partnerships with nearly 1,000 overseas real estate enterprises, including many international real estate giants such as Toll

Brothers, Pacific Real Estate Company (Irvine), and the UK's largest professional residential development enterprise Barratt. More than 10,000 customers have bought houses overseas through SouFun, underscoring the considerable scale of SouFun's overseas market.

Suzhou Youth Travel Service Co., Ltd.

In November 2013, Suzhou Youth invested RMB 400 million to buy land in Vancouver, Canada, planning to build a Tourism Holiday Inn to create its own overseas "tourism base."

Suzhou Youth is the first domestic travel agency to invest abroad, which will open the door for other Chinese tourism enterprises to follow suit. Suzhou Youth is undertaking land purchases in the United States, Britain, Italy, South Africa, Malaysia, and Thailand in the next five years and will vigorously develop the global reach of China's cultural tourism industry.

Synutra International Inc.

In April 2013, Synutra invested RMB 112.5 million ($700 million) in Brittany, France to build a brand new modern factory with the capacity to produce 100,000 tons of milk powder annually. Synutra formally signed a contract with its French partner in a ceremony witnessed by President Xi Jinping and his French counterpart, Francois Hollande.

Synutra is the first Chinese dairy company to invest in Europe with the aim of building dairy production facilities. Its milk deal in France set a new record for the biggest entity investment in France in recent years. Milk is an important factor affecting the safety of infant formula. The credibility of home-grown Chinese brands in China's domestic market remains very low. Thus these firms must try to obtain overseas milk to boost their domestic Chinese brand awareness and credibility. Synutra went to France to set up its production base there, which not only ensures the safety of milk, but also adopts European standards to improve the quality and safety of infant milk powder sold in China. Doing this will also enhance the firm's overall production standards.

Vantone Holdings Co., Ltd.

For Vantone, 2014 was a harvest year in its effort to go global. Vantone became the first Chinese company to enter into the World Trade Center, purchasing a property in the new center with an area of about 20,000 square meters, occupying five floors altogether (65–69). Vantone signed a 20-year lease and plans to build a China center for occupants of this space, which will combine a business center, social clubs, and many other elements. The property will thus provide a business space for the mainstream high-end Chinese and American customers.

In addition, "Vantone Taipei 2011" is being wrapped up, with the sales rate on this project having reached 89.9% and the check-in date having started at the beginning of 2015. The project is the first real estate project investment in Taiwan undertaken by a Mainland Chinese real estate firm, and provides a model for other Chinese real estate firms seeking to go global.

Zhong Chengtong Investments International Co., Ltd.

Zhong Chengtong Investment International Co., Ltd., is an affiliate of the China Zhong Chengtong Holdings Group Co., Ltd. As such, it is responsible for Zhong Chengtong Holdings' overseas companies and assets operation management. The main current foreign focus of Zhong Chengtong Investments is its Russian projects, which are the Greenwood International Trade Center in Moscow, Moscow China Friendship Mall, and Moscow Bonded Warehouse.

The Moscow Greenwood International Trade Center project covers an area of 132,600 square meters and is the largest commercial investment project undertaken by a Chinese enterprise in Russia. It is also the Russian federation's largest modern international business park, combining under one roof wholesale business, international conference and exhibition facilities, cultural exchange, hotel catering, and warehousing and logistics. The project has also become an overseas marketing platform for Chinese famous quality products in the heart of the Russian federation, creating more opportunities for Chinese enterprises and products to go global.

Appendix: M&A activity among the top 10 Chinese firms undertaking transnational M&A

From January 1, 2009, to June 30, 2014, arranged chronologically from earliest to most-recent deals:[10]

China Petrochemical Corporation (Sinopec):

- June 2009: Sinopec completed a $7.2 billion takeover transaction of the Canadian Addax Petroleum, which was the first vertically integrated oil company focused on the African continent. Sinopec paid CA$52.80 a share, which is 16% more than the prevailing stock market price at the time of transaction, to get a majority of Addax shareholders to approve the deal.

- March 2010: Sinopec entered into an agreement, via a wholly owned subsidiary in Hong Kong, to acquire 55% of SonangolSinopec International from Sinopec Overseas Oil & Gas Ltd (SOOGL), a wholly owned subsidiary of China Petrochemical Corporation, for $1.7 billion. Under this deal, a loan from SOOGL, which together with accrued interest amounts to $779 million, was assumed by the acquiring firm, bringing the total value of the transaction to $2.5 billion.
- April 2010: Sinopec moved to buy ConocoPhillips' stake in the huge Syncrude project in Canada's oil tar sands for $4.7 billion, making it one of the country's largest investments ever in North America.
- October 2010: Sinopec International Petroleum Exploration and Production Corporation (SIPC) entered into a definitive agreement (the "Subscription Agreement") with Repsol Brasil S.A. (Repsol Brasil), pursuant to which its wholly owned subsidiary subscribed for new shares comprising 40% of the share capital of Repsol Brasil (on a fully diluted basis), or the "Subscription," for an aggregate base consideration of $7.109 billion. This deal created a new company valued at US$17.773 billion.
- December 2010: Sinopec announced that its subsidiary signed a $2.45 billion agreement with Occidental Petroleum for its Argentinean assets.
- November 2011: Sinopec agreed to pay $3.5 billion for a 30% stake in the Brazilian unit of Galp Energia SGPS SA.
- January 2012: Sinopec Group announced that one of its subsidiaries had agreed to buy one-third of the interest in five new venture plays in the United States from the Oklahoma-based Devon Energy Corporation for $2.2 billion.
- December 17, 2012: Talisman Energy announced the completion of its joint venture transaction with Addax Petroleum UK, an indirect, wholly owned Sinopec subsidiary, following government and regulatory approval of this deal.
- February 2013: Sinopec paid $1.02 billion to buy a 50% stake of Chesapeake Energy Corporation's Mississippi Lime assets, seeking to benefit from surging U.S. shale oil output.
- August 2013: Sinopec and SIBUR, a leading Russian gas processing and petrochemical company, entered into a joint venture to develop the Krasnoyarsk Synthetic Rubber Plant (KZSK). Sinopec purchased 25% + 1 of KZSK's shares.

- August 2013: Sinopec acquired a 33% equity stake in the Egyptian oil and gas business of the US Apache Corporation for approximately $3.1 billion.

China National Petroleum Corporation (CNPC):

- April 2009: CNPC acquired Kazakhstan Mangistau Munai Gas (MMG) for approximately $2.6 billion.
- June 2009: CNPC acquired a 45.1% stake in Singapore Petroleum Corporation.
- July 2009: CNPC acquired a 49% stake in Nippon Oil Refinery in Osaka.
- February 2010: CNPC purchased the Mackay River and Dover oil tar sands projects from the Canadian Athabasca Oil Sands Corporation.
- May 2010: CNPC bought a 35% equity stake in the Syria Shell Petroleum Development Company.
- August 2010: CNPC made a joint purchase with the Shell Group of 100% of the equity in Australian Arrow Energy at a cost of approximately $3.5 billion.
- June 2010: CNPC acquired the European refineries of the British INEOS Group.
- February 2012: CNPC purchased 20% equity of the Canadian Groundbirch Block from the Shell Group.
- May 2012: CNPC's PetroChina, Shell Canada, Korea Gas Corporation (KOGAS), and Mitsubishi Corporation announced they would jointly develop a proposed LNG export facility near Kitimat, British Columbia, Canada. Under this agreement, Shell would hold a 40% working interest, with KOGAS, Mitsubishi and PetroChina each holding a 20% working interest in the project.
- July 2012: CNPC won approval from Qatar's Ministry of Energy and Industry for the acquisition of a 40% stake in Qatar's No. 4 Offshore Block from GDF SUEZ.
- December 2013: CNPC entered into an equity transfer agreement with Kulob Petroleum of Canada, with CNPC holding a 33.3% stake in the Bokhtar Production Sharing Contract.
- February, 2013: CNPC announced it had entered into a set of agreements with ConocoPhillips, under which PetroChina acquired an interest in two Western Australia exploration assets and established a Joint Study Agreement (JSA) for shale gas development in the Sichuan Basin in China. Under these agreements, PetroChina acquired a 20% interest in the Poseidon offshore discovery in the Browse Basin

and a 29% interest in the Goldwyer Shale onshore Canning Basin. In addition, PetroChina and ConocoPhillips entered into a JSA to explore unconventional gas resources in the Neijiang-Dazu Block in China's Sichuan Basin.

- March 15, 2013: CNPC bought a 20% stake in a Mozambique natural gas field held by the Italian oil and gas firm Eni SpA for $4.2 billion.
- November 13, 2013: CNPPC acquired Brazil Petrobras Energia Peru for approximately $2.6 billion.
- November 28, 2013: CNPC acquired a 25% equity stake in Iraq's West Qumar-1 technical service contract, which belonged to an Exxon-Mobil subsidiary company.

China National Offshore Oil Corporation (CNOOC):

- July 2009: CNOOC and Sinopec made a joint bid to acquire 20% of the equity of an Angolan oil block from Marathon Oil Company for $1.3 billion.
- March 2010: CNOOC spent $3.1 billion to restructure Bridas Corporation as a joint venture with Argentina oil company BEH; CNOOC and BEH have 50–50% shares of the new joint venture.
- October 2010: CNOOC purchased a 33.3% equity stake in the Eagle Ford Shale Project from the U.S. Chesapeake Energy Corporation for $1.08 billion.
- December 2012: CNOOC won Canadian Government approval for the acquisition of the Canadian oil and gas firm Nexen; the total value of the transaction amounted to $15.1 billion, making it the biggest such deal made by a Chinese company up to that date.

Sinochem Group:

- September 2009: Sinochem acquired the Australian farm chemicals and specialty seed producer Nufarm for approximately $2.4 billion.
- October 2009: Sincochem purchased the entire equity of Emerald Energy for $878 million.
- 2010: Sinochem acquired a 40% equity stake in a Brazil Peregrino oilfield.
- 2011: Sinochem obtained a 10% interest share in five exploration areas in Brazil's Espirito Santo basin.
- February 2012: Sinochem acquired TEPMABV company, a wholly owned subsidiary of the French company Totalin Columbia, for approximately $1 billion.

- July 2012: Sinochem acquired 35% of the equity of the Belgian SIAT NV company.
- August 2013: Sincochem moved to buy a 35% equity stake in the BC-10 block held by Petroleo Brasileiro S.A. (Petrobras) for $1.5 billion.

China Minmetals Corporation:

- June 2009: China Minmetals acquired the Australian copper mining firm OZ Minerals for $1.4 billion.
- 2009: China Minmetals Development Corporation (China Minmetals Corporation is its holding company) purchased a chromite mine in Townlands, South Africa.
- February 2012: China Minmetals acquired Anvil Mining, a Toronto-listed copper mining firm with assets in the Democratic Republic of Congo, for $1.3 billion.
- April 2014: China Minmetals acquired all of the rights and interests to the UK-based mining firm Glencore's Peruvian Las Bambas copper project for $5.9 billion, making this deal the largest overseas acquisition undertaken up to that date by a Chinese mining company.

State Grid Corporation of China:

- January 2009: State Grid Corporation of China became the largest shareholder of the National Grid Corporation of the Philippines, obtaining 40% of the equity in the company.
- December 2010: State Grid Corporation of China purchased seven Brazilian power transmission companies for $989 million and secured a 30-year concession to operate power lines, substations, and other power transmission infrastructure supplying power to the densely population southeast region of Brazil.
- February 2012: State Grid Corporation of China acquired 25% of the shares of the Portuguese Redes Energeticas Nacionais for €0.39 per share, marking the first time that a Chinese company bought a European national power grid company.
- February 2012: State Grid Corporation of China moved to buy 80% of the shares of the U.S. AES Corporation's wind power business for $1.65 billion.
- May 2012: State Grid Corporation of China acquired seven Brazilian power transmission projects franchising 100% of the equity in these projects for $942 million.

- May 2013: State Grid of China acquired the Australian Jemena Corporation, which is a subsidiary of Singapore Power International, purchasing 60% of the equity in the firm, with Singapore Power retaining 19.1% of the equity, for a price of $6 billion.

Shuanghui Industry Corporation:

- May 2013: Shuanghui Industry Corporation acquired the U.S. Smithfield Foods company for $7.1 billion. Smithfield is the world's largest producer and supplier of pork and pork products. This deal was by far the largest M&A transaction to be undertaken up to that date by a Chinese private firm in the United States outside of the energy sector.

Legend Holdings:

- January 2011: Legend Holdings and NEC established a joint venture, with a holding of 51% of the shares in the newly established business.
- June 2011: Legend Holdings acquired 36.6% of the shares in the German electronics manufacturer Medion AG for €231 million.
- September 2012: Legend Holdings acquired the Brazilian firm Digibras for about $147 million.

January 2014: Legend Holdings acquired IBM's low-end server business for $300 million

- January 2014: Legend Holdings acquired Motorola's mobile smart phone business for about $2.9 billion.

HNA Group (includes Hainan Airlines):

- January 2010: HNA acquired Australian Allco's aircraft leasing business for $150 million.
- August 2010: HNA received approval from the National Reform and Development Commission of China to acquire all of the equity of the Norwegian Offshore Heavy Transport Company.
- November 2011: HNA purchased 20% of the shares of the Spanish NH Hotel Group for €329 million.
- In August 2011: HNA and Bravia Capital jointly acquired the U.S. firm GE SeaCo for $1.05 billion.

- March 2012: HNA purchased 75% of the shares of Turkish ACT Airline.
- October 22, 2012: HNA acquired 48% of the shares of the French Aigle Azur Airline.

Aluminum Corporation of China:

- July 2009: Aluminum Corporation of China and Rio Tinto bought shares in the Simandou iron ore project in Guinea, Africa, for $1.35 billion.
- March 2010: Chalco HongKong Ltd, a wholly owned subsidiary of Aluminum Corporation, reached an agreement with Laos Service Company to buy its mineral resources department.

6
"Going Global Strategy" and Global Talent

The current situation and problems for Chinese enterprises in "going global"

China's entrance into the WTO in 2001 and the increasingly fierce competition on its domestic market among companies has made going global an increasingly attractive strategy for many Chinese companies. By doing so, they can make full use of the resources available on the world economy to better tap into external markets. In 2000, the Chinese Government first framed the Going Global Strategy for firms in China, making the outward expansion of business enterprises a major strategic initiative for the future economic development of the country. In the following decade and a half, Chinese companies have taken huge strides in doing outbound investment. In 2014, Chinese outbound investment totaled $116 billion, up by 15.5% over the previous year. According to the Ministry of Commerce, factoring in the investment made by Chinese firms through third parties raises the figure for Chinese overseas direct investment (ODI) to $140 billion. This extraordinarily rapid growth in investment outflows has made China one of the three biggest countries in the world for ODI and, for the first time in its history, a net outbound foreign investor.[1]

Although China's ODI is increasing rapidly, this growth has also revealed many problems in the efforts of Chinese companies to expand outward. The companies engaged in ODI have mainly been state-owned enterprises, the investment projects are focused on resources and raw materials extraction, and the failure rate for projects is high. These failures have caused Chinese firms attempting to go global to incur heavy losses, which has lessened the incentive and willingness of other companies to expand overseas. With regard to the transnational operation ability, according to the research of the United Nations Conference on Trade and Development (UNCTAD), in 2013, the transnational operation index of China's top 100 multinational enterprises was 14% on average. This figure was not only lower than that of the developed world's top 100 firms (64.7%) but that of leading firms from the developing world (37.91%) as well.[2]

The China Enterprise Confederation (hereinafter referred to as CEC) compared the top 500 Chinese enterprises and the top 500 U.S. enterprises in 2013, and found that in 2013 the operating income and total assets growth rate of the Chinese top 500 enterprises were higher than the U.S. top 500 enterprises. However, the net interest rate, net return on assets, and profit margins of the Chinese firms were significantly lower than that of the U.S. companies. The CES research showed that although the difference between the asset sizes of the two countries' major enterprises has been narrowing, the gap between them with respect to management quality has been widening.[3]

Situation and causes for the global talent shortage affecting Chinese enterprises investing abroad

Global talent shortage is the main problem causing outbound investment failure and the lower multinational management ability of Chinese enterprises. According to a McKinsey survey conducted during the 2008 Boao Forum, 88% of the executives of these firms believed that the shortage of the right talent is the leading cause of the failure of overseas mergers and acquisitions.[4] Three years later, in 2011, Kong Linglong, a high-ranking official with the National Reform and Development Commission, reported that China is suffering from a lack of professionals with international experience to help facilitate cross-border deal making, adding to problems with cross-cultural awareness and global expertise in Chinese companies.[5]

The global talent shortage is a serious problem for Chinese enterprises going global. After China entered the WTO, state-owned enterprises (SOEs), especially the so-called "central" enterprises, which are also referred to as "key" enterprises and consist of companies owned directly by the central ministries and commissions – other SOEs are owned and operated by provincial and local state governmental bodies – quickly became the leading Chinese ODI firms, due to their abundant capital and access to bank financing. In 2009, 67% of all Chinese firms investing abroad were SOEs.[6] At the end of 2012, among the top 20 Chinese enterprises investing abroad, 16 were "central" enterprises, and

Table 6.1 Comparison of the degree of internationalization of directors in leading multinational enterprises of China and the world

Company name	Number of non-national individuals on the board of directors /total number of directors	Proportion of non-national individuals among the board of directors
Shell	7/12	58.33%
Lenovo	9/12	75%
Sinopec	2/14	14.29%

Note: The global talent numbers of Shell and Lenovo included only the foreigners. The numbers of Sinopec included overseas returnees, overseas Chinese, foreigners, and talent with multinational management experience.

Source: http://www.shell.com/global/aboutshell/who-we-are/leadership/the-board.html; Lenovo, http://www.legendholdings.com.cn/Pages/Manage.aspx; CNPC, http://www.cnpc.com.cn/cnpc/dsh/dsh_index.shtml; Sinopec, http://app.finance.ifeng.com/data/stock/dshcy.php?symbol=600028.

2 were state-owned enterprises, while only 2 were private enterprises. In 2012, the amount of overseas mergers and acquisitions of "three barrels of oil" CNPC, Sinopec, and CNOOC reached a historic high of $25.4 billion. At the same time, however, the presence of foreign experts in the decision-making and management level of the SOE remained generally low by international standards.[7] Comparing a leading successful multinational company (Shell), a Chinese private enterprise (Lenovo), and two SOEs (CNPC and Sinopec), we found that the proportion of foreign directors at Shell was 66.67%, Lenovo group was 45.45%, and, dramatically, just one of the directors (that includes both foreign and Chinese directors) at CNPC and Sinopec, respectively, had long-term multinational work experience.

The reasons for global talent shortage of China's ODI are as follows:

Global talent shortage in the Chinese domestic labor market

Chinese companies currently face a lack of available globally trained talent in the Chinese domestic labor market. According to an October 2005 McKinsey Global Institute study, the world's top Chinese companies needed in 2005 as many as 75,000 globally trained talented and skilled personnel, but just 3,000–5000 individuals qualified as such in China's domestic labor market.[8] Another McKinsey study, done by its Greater China Institute, forecasts that by 2020, China will need 142 million highly skilled employees with higher education. If these employees' skills cannot be further upgraded, the country will face a supply gap of 24 million talented personnel.[9]

The graying of talent in SOEs

According to a February 2013 survey conducted by China EOE Magazine, 65% of the executives of central enterprises are 51–60 years old, with an average age of 53.8. In South Korea the average age of the listed company executives is 52.5. In the large private enterprises, Haier and Huawei, the figures are only 47.5 and 46, respectively.[10] This age difference in Chinese private and state-owned firms matters significantly, as most of the older executives are weaker than the younger leadership talent with respect to their foreign language ability and international experience.

Insufficient understanding of the role of global talent in transnational business operations

According to the Mercer survey, companies believe that retaining key talent is the second most important factor in successfully concluding translational M&A.[11] As can be seen from the recent acquisition cases, with the rapid rise of China's state-owned enterprises' economic power, the Chinese enterprises are not lacking for funds when undertaking such deals. They therefore tend to focus entirely on the price war in bidding during overseas M&A projects, often making hasty and ill-conceived decisions, which stems from the lack of planning brought on by the absence of suitable global talent.

Overall, given the nature of transnational M&A, Chinese enterprises seeking to successfully seal such deals generally require three

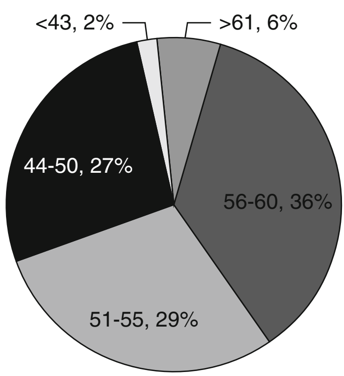


Figure 6.1 Age distribution of top executives in the central enterprises

Source: Figure created by CCG with data from "Survey of the Top Executives at the Central Enterprises." *China SOE Magazine*. February 2013 and retrieved online at http://www.cnki.com.cn/Article/CJFDTotal-GOQI201302010.htm.

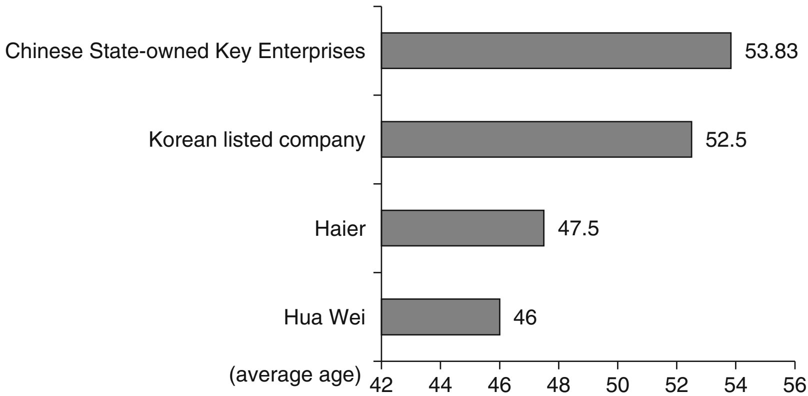


Figure 6.2 Average age comparison between central and other enterprises

Source: Figure created by CCG with data from "Survey of the Top Executives at the Central Enterprises." *China SOE Magazine*. February 2013 and retrieved online at http://www.cnki.com.cn/Article/CJFDTotal-GOQI201302010.htm.

kinds of talent. The first group consists of talent that is familiar with the rules of cross-border M&A and has the capability to analyze international investment. This kind of skilled personnel is needed for the early stages of a cross-border M&A. The second group comprises individuals who are capable of effectively managing the financial issues connected with successfully concluding cross-border M&A. The third group of talent includes personnel who work in foreign countries and have the needed technical and managerial skills to oversee the newly acquired overseas firms.

Since the 1990s, China has seen the emergence of a relatively large investment banking sector. As intermediary institutions, these banks function as professional consultants – they and media-savvy individuals are crucial human resources in undertaking transnational M&A. This first kind of financial consulting talent mainly exists in large international investment banks. The first and the third kind of talent reviewed above, as well as people with media skills, exists mainly within individual firms and is the key to the success of cross-border M&A. In 2013, for example, in the case of CNOOC's effort acquire the U.S.-based oil company Unocal, the proposal was defeated, due to objections from Congress. In the early stage of the M&A, CNOOC was unfamiliar with the local legal, political, and business regulations and badly timed its acquisition effort. In 2005, after SAIC Motor Corporation purchased South Korea Ssangyong, the company could have retained its original Chinese management team slated to work at the acquired company if the members of that team had been able to speak Korean. Having Chinese managers with Korean language capability would have also made for smoother communication with Ssangyong's Labor Union, while relieving the nationalist emotions of the local South Korean staff.

Advice on how to train and introduce global talent

Stepping up global recruiting to raise the internationalization level of the management team

To hire foreign high-level talent to serve as top executives is the employment gold standard of many multinational companies. For example, Nissan hired Brazilian superstar executive Carlos Ghosn as CEO, whereas SONY's American CEO Howard Stringerhas made great contributions to the development of the company. Mr. Li ka-Shing's enterprise also has a large foreign talent pool in its higher-level managerial positions, including first-rate people from Canada, Europe, and other countries. However, in Chinese companies, hiring foreigners as executives, even those with rich experience and qualifications, is not popular. At the same time, the senior management personnel of these firms are not stable. Chinese companies must properly utilize individuals from the global talent pool if they wish to "go global."

One of the most important factors in promoting successful globalization among Chinese businesses is effectively utilizing the large number of Chinese students who have studied overseas. According to the Chinese Ministry of Education, in 2013, 413,900 Chinese went overseas to study, an increase of 3.6% over 2012. At the same time, the number of returnees was 353,500, a rise of 29.5% compared with the 272,900 figure for 2012. The average annual growth rate of returning students from 2011 to 2012 was 31.2%. Of the 3.1 million Chinese students who have gone abroad since 1978, 1.4 million, or close to half of them, have returned to China. According to the Chinese Ministry of Education, in 2014, 459,800 Chinese went overseas to study, while 364,800 returned home. The large and growing numbers of returnee students, who possess greater international knowledge and cross-cultural skills, constitutes a significant pool of talent for Chinese companies seeking to go global.[12]

Chinese enterprises still need to strengthen their management if they want to go global. First, they need to bring their management level and practices in line with the highest international standards when it comes to recruiting talent. Domestic global talent recruitment, for example, should be done according to the global talent salary standard. The internal salary standard of Chinese firms should not function as a one-size fits all yardstick, but instead ought to be aligned with the international market whenever possible. Second, the role and function of the board of directors and independent directors should be strengthened. Globalized enterprises need more international talent with multinational experience to serve as their independent directors or directors. In this regard, Lenovo, Qingdao Beer, and Fuyao glass are leading the way.

For example, Qingdao Beer established its independent director system when it was listed in Hong Kong in 1993,[13] whereas Fuyao Glass also introduced the independent director system in 1995. These two companies made such moves eight years and six years, respectively, earlier than was required by the CSRC, when it mandated establishing the independent director system for listed companies.[14] However, Chinese domestic firms lack a global team, and their corporate governance mechanisms do not function very well either. Some firms are even reluctant to hire talented staff. At the same time, Chinese enterprises need to be more open to different ideas. Many companies apply the same management methods used for doing business on the Chinese domestic market to the international market. All of these weaknesses leave Chinese companies vulnerable to counterattacks from foreign competitors seeking to win back global markets. Given the rising importance of global demand and sales for Chinese firms, if China fails to expand globally, it will have problems in the future sustaining its development, particularly as the domestic economy encounters greater head winds. So companies need to go global, and they also need to be more open to do so effectively.

Utilize overseas chinese as a resource to help with overseas M&A

In the early 1980s, when multinational companies were just starting to enter the Chinese market, they actively recruited overseas Chinese. On the basis of this past experience, we can posit that overseas Chinese communities and networks should be very important and useful for Chinese enterprises trying to go global. So in developing and utilizing global talent, China needs to pay especially close attention to the rich existing talent pool of Chinese living abroad. The data shows that a very large share of Chinese students obtaining master's or doctoral degrees in America still choose to remain in these countries to pursue career opportunities.[15] If China can attract these individuals back to the Mainland to fully utilize their high talent levels, they could make a huge contribution to the globalization of Chinese companies. According to a 2013 study done by Gao, Liu, and Zou, the two-way flow of Chinese students and scholars significantly promotes China's outbound foreign direct investment.[16] Experienced foreign experts should also be recruited to promote the globalization of Chinese enterprises, especially to help them avoid failures such as CNOOC's botched acquisition of Unocal. China should build an overseas talent network and database with overseas Chinese communities, and establish links with them and communicate information regarding the talent needs of Chinese firms going global.

To promote the interaction between the overseas enterprises and domestic enterprises

In recent years, the establishment of start-up firms by overseas returnees has become an important phenomenon in China. By the end of 2013, China's "1,000 talent plan"[17] had introduced 4,180 overseas returnees with high-tech expertise and talent, and nearly a quarter went to the ZhongguancunVenture Park. The number of parks devoted to new business ventures, especially of a high-tech variety, has been growing rapidly each year in China. At the same time more than 40,000 returnees have started their own businesses.[18]

Thus, overseas returnees have become an important force in new business creation in China. Luring increasing numbers of them back to the Mainland will not only bring back advanced technology, but can also provide Chinese firms seeking to go global with talent possessing advanced international managerial skills and experience. Moreover, a large pool of global talent exists with M&A and investment management experience in the businesses established by overseas returnees. If well-established private firms cooperate with these start-ups, then they will have access to this vital human resource when seeking to expand abroad. And private enterprises and overseas returnees' enterprises have different comparative advantages. Private enterprises often are well-funded, but are relatively backward with respect to both their technology and management, while overseas returnees' enterprises have advanced technology and global talent, but they lack funds. By cooperating, they can therefore offset their drawbacks and achieve win-win outcomes. In particular, if a large number of private enterprises collaborate with SOEs or those set up by returnee entrepreneurs, they will quickly overcome their deficit with respect to global talent and increase the success rate of overseas investment.

To strengthen the training of local international talent

If China is to completely solve the problem of the global talent shortage in the drive to go global, then it will need to increase the local international talent pool. Currently, CNPC and other large SOEs have sufficient funds to train their employees to help them go global. However, private enterprises, due to their more limited access to bank capital, generally do not have the funds to do that. The Chinese Government and its social organizations ought to make the training of global talent a very high priority in their efforts to support Chinese firms wishing to expand abroad. As the Chinese proverb goes, "Give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime." China needs to invest the money into creating and training the right managerial talent to help business firms turn into fisherman who can trawl the international business waters for profitable opportunities over the course of a lifetime.

7
Challenges and Strategies of "Going Global"

The globalization of Chinese business enterprises has now entered a new stage. In 2013, the amount invested directly overseas by China broke through the $100 billion mark. And as was noted in Chapter 1, Chinese outbound direct investment (ODI) is set in 2015 to bypass inflows of foreign direct investment into the country for the first time in the history of China. Moreover, this development is surely no blip on the screen – the globalization of Chinese business enterprises will certainly accelerate, especially against the backdrop of Chinese Government policy initiatives such as the "One Belt, One Road" strategy. These measures and the rising globalization of economic relations will give Chinese companies ever greater incentives to go global and make developing the international market the "new normal" for China's economy.

The Center for China & Globalization (CCG) studied 1310 overseas investment cases in China from 2000 to 2014. Along the way, CCG collected expert opinion, investigated the problems encountered in the globalization of Chinese enterprises through foreign direct investment in a wide number of industries using various modes and channels, and sought to put forward some practical measures for coping with the risks and challenges these companies face in "going global."

Challenges faced by main Chinese ODI and possible measures for overcoming them

Energy resources industry

China is a major consumer of energy resources. These needs and the country's limited domestic petroleum reserves have created considerable pressure on home-based oil and gas resources. Chinese oil companies have therefore expanded abroad out of necessity, to find new sources of energy. Ever since China launched its "going global" strategy, the outward foreign investment flow and stock of the energy resources industry has been ranked in the top three among all Chinese industries.[1] The main body of this investment presents a diversified development trend, which includes both state-owned enterprises and private firms, with each having its own respective advantages in investing overseas.

After going through a phase of exploration and consolidation, Chinese energy industry ODI has grown rapidly as it takes on a steady developmental trajectory. According to **Zhou Guang from the China International Capital Corporation**, because Chinese firms have only recently begun to go global, some lack experience in cross-border collaboration when setting up international ventures, while their overseas market development ability is weak. The rate of trading success of Chinese energy resources industry ODI in the Chinese energy resources industry remains low in relation to the overall amount of ODI by these firms. At the same time, Chinese firms have paid a high premium for ODI projects and have faced problems in the follow-through management of such investment. Zhou suggests that ODI investors in China's energy resources industry must first be familiar with the investment environment in order to avoid macroeconomic risk. They also need to grasp the industry trends to guard against market risks, while creating a professional team to prevent technical risk. Finally, careful planning is needed to guard against management risk. In terms of team building, China's energy resources industry's ODI should pay attention to six kinds of talent. These include financial talent, especially in accounting, as well as talent with abundant international experience, including individuals with rich experience in the field of geological exploration and construction of mines and oil and gas wells. Chinese firms also have to acquire managerial talent with international trade experience as well as high-level personnel who are familiar with domestic and foreign laws, regulations, administrative procedures, customs, and culture.[2]

The financial industry

Against the background of economic globalization, the market setting of interest rates and RMB internationalization, as well as increasingly fierce international competition, China's financial sector is actively and steadily globalizing its business activities. Indeed, in recent years, this trend of going global has accelerated, with Chinese securities, insurance, and other nonbank financial institutions aggressively seeking foreign acquisitions.

Although ODI on the part of the Chinese financial sector has developed rapidly and achieved some success, its overall performance in going global has been problematic in many respects. According to Xie Le from People's Bank of China, China's financial sector ODI projects face huge market risk from the external environment, especially given the growing volatility within global financial markets. In these circumstances, acquiring overseas financial assets is likely to lead to little gain or even significant losses. Moreover, Chinese financial institutions have little experience in ODI and are not familiar with all of the wide variety of derivatives in international financial markets. In addition, finding ways to increase value for China's qualified domestic institutional investors in the global capital market has become one of the most important challenges facing Chinese financial institutions. Xie suggests the following ways of addressing these problems. First, strengthen the top-level design and planning and incorporate an international vision to this process. Second, understand the necessity and urgency of ODI for the financial sector from a strategic perspective. Third, build a comprehensive risk-control system when going global. Every investment carries with it certain risks, necessitating both diversification and paying close attention to potential pitfalls so financial institutions can give adequate prior warning to clients about the problems they may incur in purchasing foreign financial assets. In addition, to better deal with risk, financial institutions should focus on their main core business activities and avoid improper mixed management. Emphasis should also be placed on synchronizing their domestic and foreign business operations. Fourth, choose the appropriate information technology and integrate that technology into the strategy for expanding outward. Information technology now changes with each passing day, so choosing the right technical tools and integrating them into the development of a strategy for going global can help firms overcome the shortage of talent in the short-term and address overall weaknesses.[3]

The real estate industry

After 2012, China's real estate enterprises started to go global on a large scale. The United States, Australia, and the UK have been the main areas of focus for Chinese real estate firms in doing business overseas. Of these, the United States has been the preferred target market for doing foreign real estate deals. In December 2012, for example, China Vanke Co., Ltd., announced its cooperation with American Tishman Speyer in San Francisco to jointly develop two luxury apartment buildings. This transaction kicked off the major push by Chinese real estate companies to go global. The rush to acquire foreign real estate was especially intense in the United States, where the biggest real estate firms, SOHO China, FOSUN, Greenland, and Wanda, snapped up properties in the greater New York area, Chicago, and Los Angeles. In addition to this activity, some Chinese enterprises and investors also began holding shares of real estate development projects or real estate investment funds in the United States.[4]

According to ***Chu Fang, director of the Asian Financial Association (AFA) Institute and head of investment analysis and Chinese affairs department of a real estate private equity investment company in New York***, competition in the real estate market is extremely fierce in first-tier American cities. This had made it hard, in his words, for "foreign monks to recite and chant scripture." These companies need more local experience at the operational level, while realizing that sustainable development requires more extensive relationships with players in investment host countries to boost the trade flow. In addition, the American real estate industry is subject to massive periodic swings, being strong at times, while slumping sharply at other times. Thus choosing the right time to get into and out of this market, or individual regional and local markets within it, is of vital importance. Chinese companies investing in the U.S. real estate industry should use the following indictors as their criteria for selecting specific projects. First, has the population in the place targeted for investment been growing over the past decade? Second, has the median income of the targeted area been growing over the past decade? In particular, does locality boast a large local employer (or employers)? Fourth, what about the quality of life, including climate, education, lack of crime, and the like? Chu suggests that the first step for Chinese real estate firms investing in the United States to take is localization. Then Chinese firms should play the market according to their comparative advantage and strengthen their risk management. Taking such steps is the only way such companies can gain a foothold in the American real estate market.[5]

The automobile industry

The globalization of the automobile industry is an inevitable trend. If automakers want to survive in the fierce international competition, they must make the overseas market an important part of their global strategy. For example, a large part of the revenues of Volkswagen and Toyota come from foreign sales.[6] The globalization of Chinese auto companies, however, has gotten off to a late start, and these companies are not yet mature players on the world market. Indeed, up to now Chinese auto producers have mainly gone global by exporting vehicles.

Thus, taking into account the overall picture, the globalization of China's auto enterprises is still in its infancy. *US-China Automobile Exchange Association chairman, Mr. Wang Dazong*, suggests the following steps to speed up the globalization of China's automobile industry. First, automobile manufacturer globalization requires a strategic design to broaden the way of thinking within the particular vehicle producer trying to expand internationally. Second, the integration of the corporate culture to prevailing international norms matters more than reducing the cultural differences between countries. Achieving seamless cooperation between firms from different countries is less about overcoming national cultural differences at work than it as about having a corporate culture that promotes effective teamwork and collaboration across various nationalities. Third, globalization of core technology is the key to automobile enterprises globalization. In particular, domestic Chinese auto parts producers face three major problems: inability to increase their scale, the large gap with respect to core technology between them and their foreign competitors, and inability to win acceptance from high-end customers. Fourth, it is essential to find and cultivate the talented people within individual firms. And fifth, Chinese automobile firms can use professional agencies to assist them when they go global.[7]

Challenges faced by the Chinese ODI and measures for overcoming them: a regional perspective

The United States

In recent years, Chinese companies have rapidly increased their level of foreign direct investment (FDI) in the United States. According to a 2015 report issued jointly by the American National Committee on U.S.-China Relations and the Rhodium Group, from 2000 to 2014, Chinese firms spent $46 billion on new establishments and acquisitions in the United States. This activity was especially intense in the last five years of that period.[8] In fact, Chinese private companies are becoming the main overseas direct investors in the United States.

Xiao Yong from the Vinson & Elkins law firm found that Chinese companies tend to make the following three common mistakes when they invest in the United States. First, they rely too much on the networks. Second, they are not familiar with the complexity of the American market regulation and the legal system. Third, they do not plan comprehensively before directly investing in the United States. For the Chinese enterprises planning to invest in the United States, Xiao proposes the following suggestions for avoiding these mistakes. First, make an overall plan for dealing with the legal and regulatory environment in the specific state the firm is targeting for an investment project. American corporate law is largely framed at the state level in the United States and every state has its own unique set of rules. After determining the investment location, investors also need to consider, according to the tax and debt liability regulations, setting up the right kind of business entity to be created in the investment project, such as a limited liability company or limited partnership enterprise. Second, consider carefully the cost of hiring employees and paying for their benefits. American labor law has many related requirements for employing people. Employers need to abide by a host of rules, including income tax withholding according to the internal revenue code, medical insurance, paying and withholding social security taxes, and the employee benefit plan report. Third, carefully assess regulation and compliance. There are many industries that are subject to special governmental regulation in the United States. One example is the energy industry, which is strictly regulated by the federal and state governments. Fourth, devote special care to creating an effective tax plan. Fifth, in M&A cases, one key to doing business in the American market is for foreign firms to develop an effective consolidation plan after finalizing the M&A deal and successfully implementing that plan. It is essential to recognize and overcome difficulties early on and frame the key strategies and business goals during the time in which the M&A deal is being hammered out. The consolidation must integrate the full spectrum of operational and managerial activities between Chinese firms and the American firms targeted for acquisition and merger. American companies usually have a modern corporate governance structure with respect to management, decision-making mechanisms, financial affairs, legal issues, and labor relations.

Therefore, in the process of integrating such firms, Chinese firms should adopt for themselves modern corporate governance procedures, instead of using the domestic operating procedures and rules that work well in their home country. In addition, human resource management issues for the new acquisitions are almost always a key element of M&A deals in the U.S. market. New shareholders need to eliminate the misgivings between the old employees and new employees and resolve subsequent legal and business issues caused by restructuring and job cuts, while taking steps to retain core staff and ensure their stability to keep morale.[9]

Australia

In recent years, Australia has become one of the major destinations for Chinese firms investing overseas. This is due to its flexible investment policy, transparent legal environment, healthy capital market and stable political environment. Chinese direct investment activity in Australia has mainly targeted energy and mineral resources development, real estate, manufacturing, agriculture, forestry and fisheries, and services. Australia's rich mineral resources and its mature industry chain have attracted a large number of Chinese investors in recent years.[10] The Australian ***AHL Law Firm partner Shen Hanbing*** identifies four common problems encountered by Chinese firms investing in Australia. First, their due diligence is inadequate. Second, they are overly dependent on the local partners. Third, they fail to take adequate measures for dealing with commercial fraud. And fourth, Australian local capital extrudes foreign capital.

To address the common problems encountered by the Chinese enterprises investing in Australia, ***Shen Hanbing*** has offered the following four suggestions. First, the investing companies need to do adequate due diligence and risk evaluation before initiating the investment deal. In order to obtain a higher price, sellers naturally tend to overstate the attractiveness of the packages they offer, while in the quest to get better terms, cooperation partners exaggerate their own strength and reputation. Asymmetries with respect to information regarding such matters, along with language differences, create hidden risks for Chinese firms investing in Australia. Second, Chinese firms investing in Australia need to find a reliable legal consultation team. As Chinese companies do not understand the local business laws, some unscrupulous Australian law firms will prey upon such ignorance, charging wildly excessive fees for resolving minor or nonexistent legal problems. Third, Chinese companies investing in Australia should sign executable contracts in writing to be implemented accordingly. If a Chinese firm signs only a rough investment letter of intent with their Australian partners containing terms such as "based on the spirit of friendly cooperation, both parties will negotiate over to solve disputes," then they will face huge risks in Australia's rigorous legal environment. Fourth, Chinese enterprises investing in Australia need to have strengthened supervision of investment projects after such deals are concluded. Many Chinese companies ignore the importance of regular follow-up supervision and auditing to ensure clear accounts, quickly uncover problems, and effectively supervise capital flows. If problems are discovered, they can apply to freeze the company's account to save money and avoid losses by making use of legal channels for handling such emergencies.[11]

The Association of Southeast Asian Nations (ASEAN)

China and ASEAN countries are geographical neighbors. They have strong cultural affinities and their economies are highly complementary. In recent years, extensive high-level interaction among them has fueled the rapid development of regional trade and other kinds of economic exchanges, including investment cooperation. ASEAN has become one of China's fastest growing regions for outward foreign investment, with Singapore, Indonesia, Laos, and Thailand being the key destinations for such flows. Chinese FDI to Singapore amounted to $2 billion, to Indonesia $1.6 billion, and to Laos $781 million in 2013. Electricity; the heating, gas, and water supply industries; mining; wholesale and retail trade; leasing and business services; manufacturing; finance; and construction are the core sectors for Chinese investment in the ASEAN group of are electricity, heating gas, water supply industries, mining, wholesale and retail trade, leasing and business services, manufacturing, finance, and construction.[12]

Li Hong, Professor from Guangxi University and director of ASEAN Institute, has extensively studied the investment policy and environment of the main ASEAN countries and offers the following key observations regarding Chinese firms investing in these countries. First, be aware of political problems. Some ASEAN countries are politically volatile, and this volatility poses a deep threat to foreign investors. In 2014, the local civil conflicts in Myanmar, the Philippines, Malaysia, Thailand, Cambodia, and Vietnam adversely impacted foreign investment projects. In the case of Myanmar, political unrest occurring during its democratization has affected both the Myanmar Myitsone Hydropower Station and China-Myanmar Kyaukpyu– Kunming railway projects. Government corruption is another major political head wind affecting investment project targeting ASEAN countries, with Myanmar once again serving as a good case in point. Indeed, in this country, corruption is recognized as a "normal" social phenomenon. The local population treats corruption as a means to make a living. In Laos, the government has already issued an anti-corruption law, but this statute has been very laxly enforced. In other ASEAN countries, notably Cambodia and the Philippines, the corruption problem is also quite serious. Finally, Chinese companies seeking to invest in the ASEAN region must note the ***regulatory system***. A systematic and transparent regulatory system is very important for both the foreign and local sides involved in an overseas investment transaction, but many ASEAN countries fall well short of meeting this standard.

Africa

Africa and China have highly complementary economies and huge potential exists for cooperation between them. Investment projects undertaken by Chinese companies in Africa include project contracting, investment and trade, and technical cooperation involving roads, railways, housing, communications, water conservation, and hotels. According to the *China's Outward Foreign Direct Investment in 2013* report, Africa accounted for 4.1% of China's total outbound investment in 2012.[13]

King & Capital Law firm partner and African Law Service Center secretary general Zhou Zhenguo thinks that if Chinese companies want to invest in Africa, they first of all should be fully aware of political, cultural, and religious issues on the continent. These include the various political systems prevailing across countries, political and social stability and instability, policy continuity, relevant laws and regulations, fairness of judicial enforcement, and educational levels, as well as religion and customs. Second, Chinese firms should also be concerned about the ownership of land, as making decisions about investing in factories, mines, or oil and gas extraction all require that close attention be paid to the acquisition, use, and transfer of land. Most African countries legally recognize private land ownership, with many stating in their constitutions that private property is inviolable. Third, these enterprises should focus their investment planning on infrastructure issues. This is especially crucial in mining and energy extraction investment projects, which require not just multidisciplinary knowledge, but careful review of all the infrastructure conditions needed for the construction and operation of mines and oil and gas fields. Fourth, Chinese firms wishing to invest in Africa ought to pay close attention to labor protection. Most African countries have strict laws protecting the rights of workers, and mechanisms for ensuring their enforcement. Fifth, these companies need to consider currency exchange rules. Many African countries have exchange controls, making it often difficult for Chinese companies to repatriate their profits back to China. They then must resort to illegal mechanisms to exchange funds. In addition, currency instability and inflation in some countries has also created large risks for Chinese companies investing in Africa.

Canada

Chinese investment activity stayed for a long time at a low level in Canada, but then developed rapidly after the world financial crisis in 2008. At the present time, the largest of China's investment stock in Canada is concentrated in resources, including oil, gas, and mining.

CCG's part-time senior research fellow and professor at Ryerson University in Canada Howard Lin analyzed the challenges faced by Chinese enterprises investing in the Canadian resources industry. Investors have to deal with Canadian laws and regulations, environmental protection, indigenous people, workers and trade unions, and infrastructure issues. Many untapped resources in Canada are in the sparsely populated and very cold northern arctic and subarctic regions of the country. Because of their lack of population and extreme weather, these areas have little infrastructure, making it difficult for firms to operate profitably in these regions. Moreover, in some instances, foreign firms have invested heavily upfront in very promising projects only to see these projects fail to win final governmental approval for environmental reasons. Some Chinese firms also lack a good understanding of the investment environment and difficulties in Canada, which forces them to invest more than they had initially budgeted for projects. That miscalculation, in turn, reduces the profitability of these projects once they have started operating. To sum up, Chinese enterprises' main challenge in investing in Canada include coming to grips with public opinion, especially regarding environmental matters and indigenous rights; attitude of the government; and operational risks.[14]

Germany

As the biggest economy in the EU, Germany accounts for the largest share of Chinese investment into Europe. In recent years, more and more companies from China have sought to invest in Germany. According to the *China's Outward Direct Foreign Investment 2013* statistical survey compiled jointly by the Chinese Government Ministry of Commerce and National Bureau of Statistics, State Administration of Foreign Exchange, Germany was the 11th most popular destination for Chinese foreign direct investment in 2013.[15] And an April 28, 2015 *Global Times* story reported that in 2014, China became the biggest investing country in Germany, with 190 Greenfield projects, compared to the 168 and 130 projects undertaken by the No. 2 and 3 ranked countries, the United States and Switzerland, respectively.[16]

American Latham & Watkins LLP partner Rudolf Haas based in its Frankfurt office notes that some German companies have been recognized as the "hidden champions" on the market, relying on advanced technology to become leaders in their particular market segments or niches. These technologies and products are not only welcomed by consumers in China and other emerging markets, but also make the German firms attractive targets for Chinese firms in search of M&A

opportunities. This is especially true in the automotive, machinery manufacturing, specialty chemicals, and new energy sectors, where Germany has long enjoyed a strong advantage. Acquiring German companies and their products and technology therefore is important for Chinese companies in promoting the development of the Chinese market. Based on the strategic acquisition target, Chinese companies tend to buy small to medium-sized German firms belonging to the celebrated "Mittlestand" group of companies that have been pivotal in fueling Germany's economic growth. "Mittlestand" firms often have unique high-end products and enjoy an outstanding reputation for quality in their particular markets or market niches. However, these companies may want at various times and for various reasons to be bought up by larger and wealthier suitors, creating many acquisition potentially good opportunities. In addition, Germany is a highly open country. With the exception of defense and defense-related industries, Germany does not set limits on foreign investment, which also makes it convenient for Chinese firms to invest in the Federal Republic.[17]

Other challenges and countermeasures in Chinese overseas M&A

The strategies of going global

Shanghai L.E.K. Consulting's managing director, Wang Jingye, thinks that Chinese companies need to address the following three strategic layout problems before deciding to go global. First of all, what is the main future development trend globally for their particular industry? Second, within that overall global development trend, what are the future opportunities and challenges? What will the global market pattern be like? Third, what kind of vision and goals can the company devise to fit within the future global market pattern of the industry? And relatedly, is the market focus of the company domestic or foreign?

When Chinese companies finish framing and implementing a planning strategy for expanding abroad, they need to be clear about the exact route they will take in going global. Part of this activity must be a complete "self-diagnosis" involving identifying the company's core competitive strengths. ***Wang Jingye*** believes that this self-diagnosis must address three questions. First, what is the existing core competitiveness of the company? And how have these advantageous characteristics brought success to the firm in the past? Second, what kind of core competitive strengths will a business need in order to achieve its strategic vision and goals in the structure of the future global market pattern of the industry to which it belongs? Third, how can firms develop new core competitive strengths to serve their future needs on the basis of the ones they already have? In particular, do companies need to go global in order to alter their core competitiveness? Acquiring new kinds of core competitiveness is not the only way in which firms can do "self-development." In the contemporary, hyper-commercialized business market, "time is money." One quick way of making breakthroughs on the overseas market is through overseas M&A or setting up joint ventures to attract other international companies.[18]

Approval of overseas M&A

To invest overseas, in addition to registering in China for examination and approval, Chinese companies also must go through examination and approval procedures in the host country and pass the relevant antitrust, national security, and other investigative checks.

The domestic examination and approval for the Chinese enterprises' overseas M&A

Some 14 years have passed since China launched the strategy of "going global" and encouraged its business enterprises to expand overseas. However, the country has yet to promulgate a unified foreign investment law. To regulate overseas investment behavior, different government departments at various levels have issued a welter of rules across a wide range of dimensions. This has led to an excessively complex approval process for overseas M&A on the part of Chinese firms. In 2014, the National Development and Reform Commission and Ministry of Commerce did significantly reform the examination and approval system for Chinese firms wishing to invest overseas. However, according to ***GRANDALL Law Firm partner Huang Ningning***, China's existing examination and approval system of overseas investment still has many defects. First, the existence of many lawmaking entities in the government causes large uncertainty as to the applicability of the new and reformed rules regarding overseas investment. And the recent reforms do not constitute nor are they a substitute for a unified foreign investment law. Given the absence of such a statute, governmental bodies remain uncertain about what to do when considering proposed overseas investment projects. To make matters worse, misunderstanding and rivalry is rife among government departments regarding the overseas investment approval process. Second, some of the perverse problems associated with the existing system leads to causing unfair competition. Due to the ongoing need to simplify the overseas investment examination and approval procedure, the so-called "special path" system has also evolved into another form of unfair competition. Under this arrangement, if the National Development and Reform Commission has granted a "special path" to a domestic Chinese firm seeking to invest abroad, then other firms seeking to do the same are not permitted to use this channel to get approval for their overseas investment projects. This arrangement has allowed the "special path" enterprises, which are often not the best companies, to use this channel to gain an unfair advantage over rivals by suppressing their potentially lucrative investment projects.[19]

Antitrust and national security investigation regarding M&A in overseas host countries

In 2012, Barack Obama, citing the possible endangerment of American national security, vetoed the effort of the SANY Group-affiliated company Ralls to invest in a wind power project in the United

States. In 2011, under U.S. Government pressure, Huawei withdrew the application to the Committee on Foreign Investment in the United States (CFIUS) to acquire the technology assets of 3 Leaf Systems, even though the value of these assets amounted to just $2 million.

The recent wave of cross-border M&A in the global economy has generated considerable pressure for concentration within particular industries, raising concerns about preserving market competition in the face of this trend. Most host countries are therefore now very strict regarding the possible implications of an M&A, particularly a large-scale project, in violating antitrust regulations.

Anti-monopoly law throughout the world rests of three pillars. These are (1) the control of mergers and acquisitions, (2) prohibition of monopoly agreements, and (3) curbing abuse of dominant market position. ***DACHENG Law Firm partner Dai Jianmin*** believes that the aggressive investigations of anti-monopoly enforcement bodies in cross-border M&A host countries might actually adversely limit competition in such markets. By making it more difficult for foreign companies to gain a foothold in such markets through acquiring domestic companies, these actions shield the latter from international competition. Thus, Chinese firms seeking to break into foreign markets via the cross-border M&A route must pay close attention to how such deals will be perceived, rightly or wrong, in generating market monopolies.

As the U.S. Government's opposition to the Ralls wind turbine investment project illustrates, the foreign national security investigation and review system has also become one of the main obstacles preventing Chinese firms from investing overseas. The United States is not alone in blocking M&A and other foreign investment activities deemed to have an adverse impact on national security. For example, Australia and

Canada also subject M&A involving domestic companies initiated by foreign firms to rigorous national security reviews. Chinese firms seeking to go global will have to carefully weigh such matters when seeking to invest abroad.[20]

Financing cross-border M&A by Chinese companies

As an important form of outward direct investment, cross-border M&A are typically large-scale transactions, with individual deals typically amounting to billions of dollars. This makes it difficult for companies to finance these M&A on their own. Raising sufficient funds in a short time is one of the key problems involved in successfully undertaking cross-border M&A.

After studying the current situation with respect to the financial schemes for overseas M&A by Chinese firms, enterprises overseas M&A, and the variety of problems these businesses have encountered in undertaking such activity, ***Dechert Law Firm partner Tao Jingzhou*** has proposed a number of micro- and macro-level solutions. From a macro level, China should establish better laws and policies and reform its financial system to support Chinese enterprises in going global. In recent years there have been many positive signals in this area – for example, the China Banking Regulatory Commission (CBRC) issued "Commercial Bank M&A Loan Guide." Nevertheless, considerable room for improvement still exists here. One step China could take is to modify the "Regulations on the Administration of Enterprise Bonds" and other rules to ease restrictions on corporate finance and simplify the approval process for all kinds of mechanisms for funding cross-border M&A by Chinese firms. On the micro level, Chinese firms must first of all be more innovative in devising ways of financing overseas M&A and broadening channels for raising funds for such endeavors that do not violate existing laws. Second, reputable companies can invite internationally renowned rating agencies to give them a credit rating, in order to attract investors and reduce the cost of financing overseas investment projects. In addition, firms in the midst of financing an M&A should not only pay attention to how they raise funds, but also to repaying loans and investors while retaining working capital after sealing such deals.[21]

Challenges in human resource management in overseas mergers and acquisitions

With the steady growth of cross-border M&A activity by Chinese firms, more and more of them are beginning to face challenges in managing human resources when undertaking this method of going global. ***Cui Jie***

from Mercer Consulting points out that many of these human resource management problems stem from the lack of familiarity with the local labor market and laws in M&A host countries. This issue is especially acute in Europe, with its special kind of trade unions and worker representation in company management through labor/works committees. Some European countries even have different rules and regulations regarding different jobs for various-aged workers. Reducing staff involves going through strict and lengthy negotiations and exhaustive examination and approval procedures. In addition, the culture of the overseas market with respect to the concept of and system for managing human resources differs greatly from that of China. On top of that, language barriers and cultural differences give rise to poor communication, which adds to the deep mistrust of Chinese management on the part of employees in foreign firms that have been acquired by companies from China. This mistrust is a huge difficulty and can lead to the outflow of local executives and key talent from the merged Western company as well as lack of effort from personnel who stay in such firms.

Chinese enterprises are overall "young" and have relatively weak staff training programs. As they seek to globalize their operations, such companies not only encounter different markets and cultural contexts, but are also being handicapped by their management experience deficit. In fact, many of the foreign firms acquired by Chinese companies in overseas M&A have had a long operating experience and are mature businesses. They thus have a more seasoned management team and more highly developed management system. Quickly cultivating Chinese managers with the experience of overseeing global business operations both at home and abroad is a common challenge facing firms from China at this stage of their efforts to go global.

Fortunately, as more and more Chinese firms expand overseas, the relatively mature companies are now aware of the importance of human resource management throughout the different stages of the cross-border M&A process. Firms that stand out here include Sany and China Minmetals. These businesses have also begun to establish various systems to lay a strong foundation with respect to human resources for further globalization.[22]

Post-M&A integration process

Effectively integrating companies acquired in an overseas M&A constitutes a key link in the successful execution of such projects. ***Chen Hui from Pritchett Advertising*** has put forward a 3T staged integration process, with the "T's" referring to Transaction, Transition, and Transformation.

"Transaction" refers to the merger and acquisition. "Transition" refers to the transition the two companies make during this process from being separate to fused entities. "Transformation" involves the overhaul that necessarily occurs after the M&A in one or both of the merged companies. In this 3T stage model, integration occurs not only after the M&A is concluded, but during the process of initiating and finalizing such deals. The Transaction period includes the trade publication day, the Transition period includes the first 100 days following the initiation of the M&A deal, and the Transformation period covers the post-Transition period. During the Transaction period, companies tend to pay more attention to the technology as opposed to human resources. By contrast, in the Transition period, firms focus less on technology and more on human resources. The Transformation phase sees an equal emphasis on technology and human resources on the part of companies. In the M&A integration process, then, the focus area is not constant, and can be subject to change, so the management priorities in integrating the acquired personnel and technology are also not constant and can be altered.[23]

The role of government, enterprise and agency in overseas M&A

Dr. Xu Hong Cai from the China Center for International Economic Exchanges has offered a number of useful measures for overcoming the problems of Chinese firms in doing overseas M&A, from the perspective of the government, intermediary institutions involved in such deals, and the firms undertaking such activity.[24]

The government level

In Xu's view, the Chinese government ought to undertake innovations with respect to its organizational structure, regulatory and oversight systems, policies, and rules regarding outbound investment by Mainland China companies. In particular, it should be clear about the goals, positioning, and rules for firms seeking to go global from the strategic level, in order to provide comprehensive and effective macro-level guidance and support for such efforts. Concretely implementing and achieving these overall aims involves the following seven steps:

- First, the Chinese Government should engage in strategic planning to organize cooperation among different departments and achieve better coordination among them. Doing so will enable the government to invest more in technology and better set up a unified overseas investment strategy, development plan, and sound policy measures to go with it.

- Second, the government should devise a stronger legal and regulatory system for Chinese outbound investment. In particular, it should relax the restrictions on such investment.
- Third, the government must take steps to help change the foreign investment modes of Chinese firms in a number of ways. One is to shift such investment from gaining direct access to natural resources, technology, and brand equity to carrying out on-site overseas production of manufactured goods, both semifinished and finished, to be exported back to China. Moving manufacturing activity outside of China can indirectly address the country's shortages of resources, as producing industrial goods tends to be resource-intensive. The government should also encourage firms to shift from equity and share investment and seeking resources to investing more in acquiring technology, capital, and talent, especially managerial talent, when investing overseas. Finally, the government needs to prod firms away from seeking absolute control through obtaining a high equity share in foreign companies to a more participatory and collaborative overseas expansion and development model.
- Fourth, the government should more closely monitor and supervise overseas investment by state-owned enterprises. Before initiating overseas acquisitions, SOEs should conduct detailed research on domestic market competition and global trends in their particular sectors. The government should also engage in thorough long-term planning so as to integrate the proposed merger into an effective overall globalization strategy. In addition to this research and planning activity, SOEs must undertake a proper due diligence investigation. In particular, they need to be thoroughly familiar with the target company country's environmental rules as well as those regarding labor, and social welfare laws and regulations governing employment. During the investment process, SOEs ought to pay special attention to the contracts involved in the M&A deal. Last, the Chinese Government should improve the supervision and accountability system of overseas state-owned asset, prohibit irresponsible blind investment activity, and ensure the preservation and appreciation of the value of overseas state-owned assets.
- Fifth, with respect to managing exchange reserves, the government must adhere to the objective of maintaining a basic balance between international payments flowing into China and expenditure outflows associated with Chinese ODI activity. In order to better maintain its stock of foreign exchange reserves, the Chinese Government should improve the efficiency of their use, while undertaking a number

of complementary measures. These include establishing a foreign exchange investment industry fund and focusing on addressing the domestic foreign exchange investment needs of Chinese firms. Bilateral and multilateral foreign exchange assistance loan funds to support the economic development and infrastructure of developing countries should also be set up.

- Sixth, the government should ensure effective dialogue and collaboration between its overseas diplomatic and economic agencies and Mainland China firms trying to go global. In particular, it ought to establish a coordination and protection mechanism for Chinese overseas investment so as to improve information gathering and risk assessment on the part of companies seeking to expand abroad.
- Finally, seventh, the government should clearly convey that China strongly embraces the market mechanism for governing economic activity as part of its long-standing commitment to the reform and opening up of its economy. Doing this will improve foreign perceptions of Chinese investment projects. In many regions and countries throughout the world, this could be done through multi-level official and scholarly exchanges as well as foreign training and inspection efforts aimed at promoting mutual understanding between China and investment host countries. In addition, if China can attract greater numbers of foreign students to study in the People's Republic, this will provide a potentially valuable long-term talent reserve for the country to expand its foreign economic and trade cooperation.

The enterprise level

At the level of individual firms, ***Xu*** suggests that companies keep on learning and reflecting on the experience of "going global" in order to strengthen their capabilities in expanding outward, while also seeking to collaborate with each other to improve their methods and thinking in this area. Businesses should also try to shoulder more social responsibility, win support from the Chinese and investment host country governments, and make greater use of intermediary services.

Achieving these broad objectives requires carrying out the following six tasks. The first is doing the requisite homework regarding the political and economic situation of foreign countries targeted for investment. The second is for financial institutions, with the help of the government, to expand access to credit for outward investment while also constructing an effective system for disciplining the use of such funds. The third is to perfect the corporate governance structure to put in place the right internal incentives and establish a mechanism for constraining reckless behavior to optimize the investment risk management and control. The fourth is to strengthen the identification, awareness, prevention, and handling of risk in financial management to improve the quality of investment cooperation and economic benefits. The fifth is to keep a low profile when conducting business overseas, coupled with a flexible attitude of cooperation and strong corporate social responsibility practice. The sixth is to pay close attention to the timing of foreign investment activity and the mode of payment; in particular, firms should avoid making hasty decisions and actions. They should instead carefully analyze the overall economic context, including the position and behavior of rival firms, so as to avoid bad timing in making overseas acquisitions.

The intermediary institution level

Last, ***Xu*** emphasizes that China should give full play to industry associations and intermediary organizations, such as "think tanks," to assist them in going global. Intermediary institutions should strengthen the communication between domestic and foreign enterprises as well as governments to coordinate the varied interests of differently positioned players to provide strong intellectual support for enterprises seeking to go global.

Xu suggests six ways industry associations and intermediaries can help realize the above objectives. The first is to act in concert with the government and individual firms to effectively represent the overall interests of the whole industry and businesses belonging to it. The second is to standardize the internal order of specific industries, so as to promote healthy competition among individual firms to achieve mutually beneficial win-win outcomes. The third is to integrate the industry information resources to establish an information-sharing platform. The fourth is to improve the globalization operation of particular firms and their management ability while cultivating interdisciplinary talent. The fifth is to strengthen risk management. The sixth is encouraging companies to operate in ways that strictly conform to market-oriented imperatives.

Chinese enterprises going global need to follow market rules, both domestically and internationally, and doing that requires the existence of large and globally active enterprise groups able to effectively compete against the best foreign companies. Chinese firms expanding outward should do so in ways that are compatible with the international political environment and their own core competitive ability. They should not only grasp the opportunities, but be aware of the risks involved in foreign investment projects, even ones that seem at first glance to be lucrative and tempting. And they should not only adhere to the market-oriented operation, but also remain cognizant of China's overall national investment strategy and act in a prudent, step-by-step manner.

8
One Belt, One Road and Future Directions for Chinese Outbound Investment

"One Belt, One Road" and China's growing role in global economic governance

As China makes the transition from being a recipient to a source of foreign direct investment, its role in global economic governance will inevitably grow. The current Chinese leaders are quite aware of this coming sea change and are putting forward measures aimed at increasing China's leadership role in the world economy, including in overseas investment. Thus, in September-October 2013, during visits to Central and Southeast Asia, President Xi Jinping proposed building a new maritime and overland "silk road." That scheme, the so-called "One Belt, One Road," initiative – the belt referring to the maritime "silk road" and the road being its overland component – aims to revitalize the premodern Eurasian trade routes that linked China to Europe. Under this new grand design, One Belt, One Road will connect China more closely not just to Europe, but Southeast Asia, Central Asia, the Middle East, and eastern Africa as well.

Neither of these routes has been finalized. But under the existing blueprints, the new Silk Road will run from the western border of Xinjiang through three of the five Central Asia "stans" – Kazakhstan, Uzbekistan, and Turkmenistan – before crossing Iran and Turkey to reach Europe (a spur road will go to the Caspian Sea through Tajikistan). There it will veer north through the Balkans to Moscow and then double-back west to Rotterdam, Duisburg, and finally Venice, where it will connect with the new maritime Silk Road. The latter originates southern Chinese seaports and then heads to Kuala Lumpur, Kolkata (or Calcutta), and Colombo before crossing the rest of the Indian Ocean to Lamu and Nairobi in Kenya. From there, it goes north around the horn of Africa, through the Red Sea and Suez to Greece and Venice in Europe. Together, the proposed overland and maritime Silk Road routes form a massive loop round three continents, which underscores China's ambition to reclaim its status as the "Middle Kingdom" linked to the world by economic and cultural ties and exchange.[1]

The general vision of the Chinese Government for the "One Belt, One Road" project matches the expansive geographical scope of this initiative. One Belt, One Road is envisaged by China as creating the basis for a vast new economic cooperation area stretching from the Western Pacific to the Baltic Sea. This grand design is above all aimed at forging closer links between China and its Southern and Central Asian neighbors through the exercise of Chinese "soft power," which will be used to devise Asian solutions for Asian problems. Such thinking was clearly articulated by President Xi Jinping in an address to regional leaders at a May 2014 Shanghai summit, which was dedicated to a "new Asian security concept." Under this concept, Xi declared, "It is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia," calling upon these states to "advance the process of common development and regional integration." In a speech delivered to Chinese business executives in November 2014, Xi stated that the One Belt, One Road project aims to boost growth and improve infrastructure across the entire Eurasian region to help fulfil an "Asia-Pacific dream" – this phrase echoes his domestic political "Chinese Dream"

rhetoric – aimed at showcasing the country's new power and status in the world. "With the rise of its overall national strength," Xi maintained, "China has the capability and the will to provide more public goods to the Asia-Pacific region and the world."[2]

At a fundamental level, then, One Belt, One Road seeks to leverage rising Chinese capabilities with respect to capital, logistics, and personnel into constructing a new and innovative model for multilateral economic governance over a large area of the world. In this new model, One Belt, One Road will be linked to other Chinese regional cooperative initiatives covering areas within the proposed cooperative area. These are the Shanghai Cooperation Organization, ASEAN plus China, or 10 +1, Asia-Pacific Economic Cooperation (SCO), Asia-Europe Meeting, Asia Cooperation Dialogue, Conference on Interaction and Confidence Building Measures in Asia, China-Arab States Cooperation Forum, China Gulf Cooperation Council Strategic Dialogue, Greater Mekong Sub-region Economic Cooperation, and Central Asia Regional Economic Cooperation.[3]

This grand design will be first underpinned by greater Asian financial integration under Chinese auspices. The effort here goes well beyond the establishment of the Asia Infrastructure Investment Bank, which will work with bodies such as the BRICS Development Bank to set up a Silk Road Fund. China will also make a concerted effort to deepen financial cooperation within the One Belt, One Road area by establishing comprehensive currency stability, investment and financing, and credit information systems in Asia. This effort will involve expanding the scope of bilateral currency swaps and settlements with One Belt, One Road countries and strengthening cooperation within the China-ASEAN and SCO Interbank Associations. China also intends to issue Renminbi bonds in China to Silk Road countries and foreign companies with good credit ratings to support their efforts to contribute to the One Belt, One Road project.[4] This last measure closely dovetails with the strong desire on the part of the Chinese Government to internationalize the Yuan and boost its prominence as a global currency.

At the core of the One Belt, One Road project, however, is a massive program of infrastructure building aimed at improving overland and maritime transportation links along and around the land and maritime Silk Road routes. The former include not just rail, but road links as well, with a highway that will connect the port of Lianyungang in Jiangsu Province to St. Petersburg set to open in 2016. This new route will make for a shorter and less bumpy ride from the Chinese border with Kazakhstan at the Western edge of the Xinjiang Autonomous

Region to the largest Kazakh city, Almaty. Freight trains are already hauling manufactured goods from Zhejiang and Jiangsu Provinces through Kazakhstan, Russia, Belarus, and Eastern Europe to Duisburg and Madrid, journeys that take 15 and 21 days, respectively. These existing links are set to undergo significant upgrading under the One Belt, One Road Plan. China is also set to make massive investments in high-speed rail, including a $242 billion line that will run through Central Asia to Moscow and cut the rail journey between that city and Beijing from the current six days to just 33 hours. Finally, as was the case with the ancient Southern Silk road that ran through Southeast Asia, the Chinese One Belt, One Road blueprint calls for taking advantage of Yunnan Province's strategic position to strengthen the Sino-Myanmar economic corridor. This corridor will extend rail links and natural gas pipeline from the now small Myanmar seaport town of Kyaukphyu to Kunming, the capital of Yunnan Province.[5]

Even before the announcement of the One Belt, One Road initiative, China had been building a foundation for a new 21st century maritime Silk Road with its so-called "String of Pearls" strategy for acquiring port facilities across Southeast Asia and the Indian Ocean. One of these "pearls," the port of Kuantan, on the east coast of peninsular Malaysia, is set to undergo a massive upgrading with Chinese help. This effort will turn Kuantan into a world-class deep-water port and make it the trading hub of Eastern Malaysia and key early stopping point on the One Belt route. Another such pearl is the Myanmar port of Kyaukphyu, as it links the Sino-Myanmar overland economic corridor to the new maritime Silk Road. Further west, in Bangladesh, China is helping to develop the Chittagong Port, while also negotiating to play a major role in building the deep-water Sonadia port (Chittagong is too shallow for really big container ships). On the other side of the Indian Ocean, in 2013, Pakistan handed over "administration and operation" of Gwadar port, which is 470 miles west of Karachi to China. Gwadar had previously been under the control of the Singapore Port Authority (SPA), which had signed a 40-year agreement with Pakistan, but suddenly relinquished the port just five years after signing the pact. This shift coincided with Pakistan's decision to sign on to an Iran-Pakistan gas pipeline. Pakistan is now offering China a "trade and energy corridor" via Gwadar; under this scheme, imported Middle East oil would be refined and stored at the port before being sent to China by way of roads, pipelines, or railways. Finally, at the European end of the new maritime Silk Road, the Greek port of Piraeus has been operated since 2009 by the state-owned China Overseas Shipping Group Company (COSCO), which has invested $1 billion into transforming the port and plans to put another half billion dollars into further improving its facilities.[6]

To turn all of this into reality, China is loosening its purse strings. At the November 2014 APEC Summit, President Xi Jinping announced the setup of a $40 billion Silk Road Fund aimed at financing infrastructure projects and investment and trade elements of the One Belt, One Road Initiative. A year earlier, when launching the One Belt, One Road Plan while touring Central Asia, the Chinese leader agreed to pump $8 billion and $3 billion into loans and infrastructure for Turkmenistan and Kyrgyzstan, respectively. The new land Silk Road runs through the first "stan," while brushing past the second "stan." Other financing sources for One Belt, One Road projects include the $100 billion development bank that the BRICS nations – Brazil, Russia, India, China, and South Africa – agreed to set up in Shanghai in July 2014, as well as the Asia Infrastructure Investment Bank, whose creation was spearheaded by China.[7] By taking the initiative in establishing both of these new development banks, China indicates it is clearly intent on playing a greater leadership and governance role in global finance and investment.

Although the bulk of Chinese money and investment for One Belt, One Road is being targeted at infrastructure development, a fair amount will also be going into energy, which is in line with China's long-standing "going out" strategy for ensuring energy and raw materials security. Thus, a good chunk of the $30 billion worth of deals President Xi signed off on for Kazakhstan during his 2013 One Belt, One Road Central Asian Inauguration Tour were oil and gas projects. On the new maritime Silk Road, Gwadar and Kyaukphyu are not alone in serving as port nodes for existing or potential Chinese overland energy corridors. Chittagong and Sonadia in Bangladesh could also serve this function. Large deposits of oil and gas have been discovered in Bangladesh, particularly offshore, and if a pipeline is built from Chittagong, it could be joined with the Myanmar energy transit route originating from Kyaukphyu and Sittwe. Indeed, Dhaka as already sought Chinese help in building a highway passing through Myanmar to Yunnan, while a rail line paralleling the proposed road has also been proposed.[8]

But although enhancing Chinese energy security is certainly one important element of the One Belt, One Road project, its most important overriding objective is to promote greater trade and investment in Eurasia, leading to closer economic integration within the region. President Xi made the link between infrastructure investment and trade explicit during a visit to Indonesia made a month after his Central Asian trip, when he announced the "belt," or new maritime Silk Road, part of the One Belt, One Road initiative. In putting forward this idea, Xi called for a more than twofold increase in bilateral trade between China and Southeast Asia to $1 trillion by 2020.[9] Thus, the joint official Chinese Government Communiqué regarding One Belt, One Road, issued jointly by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce, calls for China to "improve investment and trade facilitation, and remove investment and trade barriers for the creation of a sound business environment within the region and in all related countries." The Communiqué further adds that China "will discuss with countries and regions along the Belt and Road on opening free trade areas so as to unleash the potential for expanded cooperation." Finally, with respect to concrete actions, it urges cooperation across the One Belt, One Road zone on customs clearance to rationalize and optimize their operation, with the aim of reducing the cost of cross-border trade.[10] This objective is especially crucial for internationally traded goods being transported overland across the One Road route, which will entail numerous border crossings and customs checks.

It comes then as no surprise that a number of prominent Chinese scholars, notably Peking University international relations professor Zhai Kun, have compared China's One Belt, One Road push to the post–World War II U.S. Marshall Plan.[11] Although room for debate exists regarding this view, there is no doubt that One Belt, One Road opens up huge new opportunities for Chinese firms seeking to go global. The subject of the companies that stand to benefit the most from this initiative is taken up next.

Impact on Chinese outbound investment

One Belt, One Road will certainly open up vast new frontiers to overseas investment from China and Chinese firms seeking to go global. But although the geographic reach of Chinese outbound investment will change with this initiative, the landscape with respect to the mix of the top-ranked Chinese firms going global will not undergo much immediate alteration. Indeed, one major impact of One Belt, One Road, over the short- to medium-term at least, will be to reinforce the prominence of state-owned enterprises, especially those involved in transportation infrastructure, and to a lesser extent energy, among the top established globalizing Chinese companies.

The other major short-term beneficiaries of One Belt, One Road will be financial institutions. The initiative's numerous big infrastructure projects will provide banks with many opportunities to underwrite such deals and facilitate their operation with respect to foreign exchange trading. The far-reaching financial integration envisaged in the One Belt, One Road Grand Design will also generate a greater need for expertise in investment asset management involving globalized portfolios, thereby providing another avenue for Chinese financial firms to go global.

As many of the individual projects to be undertaken as part of One Belt, One Road are energy related, involving both its extraction and flow to China, the initiative will provide significant opportunities for Chinese energy firms to expand their outbound investment activity. CNPC and Sinopec will step up their efforts to explore and extract oil and gas from Central Asia, whereas the significant offshore oil and gas deposits in Bangladesh are a natural target for CNOOC. However, as was noted in Chapter 4, due to the tough anti-corruption drive mounted by President Xi, the overseas mergers and acquisitions undertaken by these firms as part of such efforts will come under more intensive government scrutiny.

With respect to transportation infrastructure, One Road, with its emphasis on building long-distance rail links, will provide more huge opportunities for Chinese firms involved in railway construction and making of locomotives and rolling stock to go global. This is particularly true of China's burgeoning high-speed rail industry, due to the fast train links being proposed between Beijing and Moscow in the new overland Silk Road. Given the geopolitical tensions between the West and Russia over Ukraine, which appear unlikely to let up in the near future, Chinese companies will have an edge over Western high-speed engineering firms in designing, building, and providing train cars and engines for the new Beijing-Moscow line.

Thus, in June 2015, the Russia's state-owned JSC Russian Railways signed a contract with the design unit of the China state-controlled China Railway Group to devise a plan for a 770 kilometer high-speed rail link between Moscow and Kazan. The Chinese firm will work alongside two Russian companies on the design of this line for a total cost of 20.8 billion rubles ($383 million) over the next two years. Future plans call for extending this line from Kazan to Yekaterinburg and eventually through Siberia all the way to Beijing.[12] The China Railway Engineering Group, which came in as No. 37 on the CCG list of the top 50 established globalizing Chinese companies, is a major shareholder of the China Railway Group. In the Engineering News Record (ENR) list of the top 250 global engineering contractors in 2014, China Railway Group ranked third, with total revenue of $88.9 billion.[13] With the One Belt, One Road initiative set to create more large-scale high-speed rail projects involving China with Russia and the Central Asia states – Beijing is forging close ties with the latter – the China Railway Engineering Group is likely to remain among the top established globalizing Chinese firms.

Given the number and enormous scale of the railroad engineering projects to be undertaken as part of One Belt, One Road, the China Railway Engineering Group may soon be joined by the three other Chinese state-owned transportation and communications engineering contractor heavyweights, the China State Construction Engineering Corporation, China Railway Construction Corporation, and China Communications Construction Company. On the 2014 ENR list of the top 250 global engineering contractors, these three companies ranked first, second, and fourth, respectively. No. 1 China State Construction Engineering Corporation had a total revenue of $97.8 billion; China Railway Construction Corporation was not far behind with total revenue of $96.2 billion, while China Communications Construction Group posted total revenue of $54.2.[14]

In addition to Chinese railroad engineering construction contractors, One Belt One Road will create more opportunities for producers of locomotives and rolling stock to go global. To gear up for the increased demand for such products and investment opportunities in providing them for the new Overland Silk Road rail links, China is merging the two halves of the state duopoly that makes and sells trains, including locomotives, CSR and CNR. The former made it on to the CCG top 50 overseas listing group, coming in at No. 8, while CSR was ranked No. 3 among the top 50 up-and-coming globalizing Chinese companies. The newly merged company, to be named CRRC Corporation, is considering buying a controlling stake in Berlin-based Bombardier Transportation, which is one of the three biggest makers of locomotives globally, alongside the France-based Alston A and Germany's Siemens AG, and may be off-loaded by its parent Canada-based Bombardier Corporation (Alston and Siemens are also likely to make a bid for Bombardier Transportation). Bombardier Transportation's 2014 revenue amounted to $9.6 billion, or a quarter of the combined revenue of $36 for CSR and CNR that year, and a deal to acquire Bombardier could be CSR and CNR's biggest overseas purchase.[15]

One Belt, One Road will therefore clearly provide a boost to the sagging fortunes of Chinese high-speed train companies in going global. Earlier deals in Mexico and Thailand have run into serious problems,[16] making the prospects of building high-speed rail links between China and Russia and around the overland New Silk Road especially welcome news to the Chinese Government and companies. The push to globalize China's high-speed rail business is part of a broader Chinese Government effort to raise the profile of China as a provider of sophisticated technology, as opposed to an export platform for basic manufactured goods. Hence, Zhu Ying, President of the China Eryuan Engineering subgroup of the China Railway Group that signed the design contract with Russian Railways for the Moscow-Kazan line, said the deal "means a lot" to a Chinese rail industry seeking to expand globally, according to the Xinhua News Agency.[17]

Chinese international shipping and logistics firms are the other group of transportation companies whose efforts to go global are likely to be enhanced by One Belt, One Road. This especially goes for firms involved in port operation and sea transportation. Two such firms that made it on to CCG "top" globalization performers lists are Sinotrans Shipping and COSCO, with the former ranked as No. 21 on the list of the top 50 established Chinese globalized firms, while the latter was ranked No. 4 on the list of the top 10 globalization performers. And as was noted in the previous section, since 2009 COSCO has been operating the Greek port of Piraeus, at the European end of the new proposed maritime Silk Road.

As China seeks to expand the network of ports along the proposed Maritime Silk Road, other shipping, logistics, and port management companies will have opportunities to go global. The huge project to transform the eastern Malaysian port of Kuantan is a case in point. This undertaking involves the construction of a new deep-water terminal, which will give Kuantan the capacity to handle 1.5 million TEUs (twenty-foot container equivalent units) and accommodate some of the biggest bulk container vessels in operation. Also part of the project is an industrial park, the Malaysia-China-Kuantan (MCKIP) Industrial Park, which is located five kilometers from the expanded port. The industrial park and port are being jointly developed by a Malaysian consortium of private and state-owned companies and a Chinese consortium. The major shareholder in the latter group, which has a 49% stake in the joint venture, is the Guangxi Beibu International Port Group. This state-owned conglomerate operates four Southern Chinese ports – Fangchengaug, Qinzhou, Tieshan, and Beihai – and is active not just in international trade and logistics, but real estate, energy, and environmental technologies as well. Beibu's main Chinese partner in the Kuantan project is the Qinzhong Investment.[18]

Qinzhong prominent involvement in the Kuantan project underscores the opportunities One Road, One Belt will create for Chinese financial institutions to go global. Support from financial institutions is an essential element in underwriting such deals and facilitating their operation with respect to foreign exchange trading. China's large state-owned banks have now accumulated extensive experience in lending to acquisitive Chinese companies wishing to purchase attractive foreign assets as well as in foreign exchange trading and cross-border trade settlement. They can therefore be expected to fulfill this role as One Belt, One Road kicks into operation, which will strengthen the position of banks such as ICBC among the top globalizing Chinese companies. However, as One Belt, One Road promotes greater financial integration across all of Eurasia, private financial firms with expertise in investment management involving portfolios containing a large share of diverse foreign assets will also be able to grasp more going global opportunities. These include private firms such as Cybernaut Investment Company and Hillhouse Capital Group, which made it on to the CCG top 50 list of up-and-coming globalizing China firms.

If One Belt, One Road has its expected impact of promoting economic integration, growth, and development across Eurasia, the opportunities for further globalization among Chinese firms will not, beyond the short-run, be limited to firms involved in transportation infrastructure and energy. Lowering barriers to the flow of capital, goods, and people will certainly promote more foreign investment in One Belt, One Road countries by Chinese manufacturers over the longer run. Moreover, in the more immediate future, as the Kuantan Industrial Park illustrates, the impact of particular One Belt, One Road Infrastructure projects can go beyond improving transportation facilities. The case of Kuantan underscores that this impact will extend to a broad range of manufacturers. The initial February 2013 announcement on the establishment of the MCKIP made mention only of steel and aluminum plants and a palm oil refinery when noting the $3.4 billion Chinese Malaysian firms agreed to invest into the industrial park. However, subsequent communiqués have considerably broadened the range of industries to be included in it. A year and a half after this announcement, on September 8, 2014, the Chief Executive Officer for Malaysia's East Coast Economic Region Development Council, Datuk Jebasingam Issace John, said at the opening of the 11th China ASEAN Expo, "Companies from China, Europe and Australia will invest in information and communications technology, food and beverage, and heavy machinery sectors." And according to an April 4, 2015, MCKIP official website media room announcement, the park is targeting "energy-saving and environment-friendly technologies, alternative and renewable energies, high-end equipment manufacturing and the manufacture of advanced materials." This evolution dovetails with the initial vision for MCKIP laid out in its February 2013 launch, when Najib Razak, the Malaysian prime minister, declared, "MCKIP is well-positioned to be become a hub of high-end export-oriented industries that would leverage its proximity to the Kuantan port. It promises opportunities for investors from China and beyond."[19]

MCKIP also underscores that Chinese foreign direct investment in manufacturing tied to One Belt, One Road projects will not be solely focused on heavy industries such as steel. Such projects will also create major opportunities for small to medium-sized enterprises (SMEs) involved in manufacturing light goods and technologically advanced products in areas such as alternative and renewable energy. As was shown in Chapter 4, these globalizing firms tend to be privately owned companies, as opposed to state-owned enterprises. Moreover, by strengthening transportation links throughout Eurasia, especially in the less developed Central Asian countries such as the former Soviet Republics, One Belt, One Road will promote greater Chinese foreign direct investment in manufacturing. The significant improvement in transportation links that will come with this project ought to make it easier for firms to manage their supply chains and establish distribution networks, even in places such as Kazakhstan or Uzbekistan, when investing across the One Belt, One Road zone. Central Asian countries have abundant supplies of low-cost labor, which could make them attractive foreign direct investment targets for Chinese firms facing rising wage costs as the supply of workers shrinks, due to an aging population in China. In this way, One Belt, One Road might be the push these states, whose economic development has stagnated since they became independent, need to become Asia's newest emerging economies. This outcome is certainly in line with the overall Chinese vision for the project, which is seen as producing "win-win" outcomes for China and its neighbors throughout Asia.

In the long run, then, One Belt, One Road should accelerate the "rebalancing" of Chinese overseas investment with respect to the kind of enterprises going global that is already starting to take place. Before this can happen, however, the project will have to overcome some major risks in order to fully realize its grand vision. The nature of these risks and possible countermeasures for addressing them is taken up next.

Risks and countermeasures

Like any large-scale and very ambitious undertaking, One Belt, One Road not only has enormous potential payoffs, but also entails significant risks. Such risks stem from the complicated political situation prevailing across large stretches of the proposed new maritime and land Silk Roads. Accentuating the possible political head winds are the complex ethnic divisions in a number of countries in the One Belt, One Road project as well as, in the case of the Bangladesh segment of the new maritime Silk Road, geopolitical rivalry.

The biggest risks to the new overland Silk Road arise out of the first stretch of this route from Xinjiang, where it passes through Kazakhstan, Uzbekistan, and Turkmenistan. Like all of the other former Central Asian Soviet Republics, these countries have struggled with nation-building and governance since gaining independence. As is the case elsewhere in Central Asia, Kazakhstan, Uzbekistan, and Turkmenistan are ruled by corrupt and despotic strongmen, making them a byword for dysfunctional governance. And neighboring Kyrgyzstan has undergone not just one, but two revolutions since becoming an independent. The overland Silk Road route runs close to the border of Kyrgyzstan, and, as part of the One Belt, One Road initiative, China has been investing significantly in that country, whose political problems could spill over to its neighbors. In addition to its difficult politics, Central Asia is also marked by complicated and difficult-to-resolve ethnic and religious differences.[20] Finally, the huge cultural and language differences between China and countries in Central Asia also present a big potential problem and risk factor for Chinese firms investing in this region.

Minimizing the last risk necessitates greater two-way education between China and these countries. Chinese and non-Chinese students and personnel who are both familiar with the One Belt, One Road initiative and have genuine cross-cultural knowledge and expertise, particularly with regard to Central Asia and China, are now few and far between. The Chinese Government is certainly aware of this problem: in his November 2011 announcement of the $40 billion Silk Road Fund, President Xi stated that China would be providing neighboring One Belt, One Road countries with 20,000 places for training "connectivity professionals" over the next five years.[21] This move is a good first step, and China should build upon it by facilitating visa applications for high-end talent from all of the countries involved in the One Belt, One Road to ensure that Chinese companies will have a sufficiently large pool of such talent to advise them when undertaking investment projects in these countries.

Reducing investment risks associated with the prevailing pattern of dysfunctional governance in Central Asia will be a much taller order. The region's corrupt and ineffective authoritarian rulers appear to have a strong grip on power into the foreseeable future. In these circumstances, the best China can probably do is to leverage its infrastructure aid in the region to exert pressure on these governments to establish a less corrupt and more transparent and effective environment for foreign businesses to invest in their countries. In doing this, China should exercise quiet and tactful but firm diplomacy. Although doing this could conflict with the long-standing Chinese principle of noninterference in the domestic affairs of other countries, the stakes are high enough in the One Belt, One Road project to justify departing somewhat from this policy.

China also faces significant risks and head winds along several points of the new maritime Silk Road. Myanmar is one such point, and Chinese investment in the country has fallen sharply, dropping to $46 million in the 2013 fiscal year, just 10% of the $4.3 billion China had invested in Myanmar in the 2012 fiscal year. This steep plunge stemmed from rising popular anti-Chinese sentiment in Myanmar and opposition to key projects, including the new suspended $3.6 billion Myitson dam in the northern part of the country. And in May 2014, two Chinese workers at a state-backed copper mine in Central Myanmar were temporarily kidnapped, with their captors demanding that the mining project be stopped. Finally, Myanmar authorities have chosen the Singapore-based CPG Corporation, which had built and oversees the city-state's highly rated Changi international airport, to operate the Kyaukphyu deep-water and adjacent planned industrial park and special economic zone.[22]

In the preliminary blueprint for the new Maritime Silk Road, the Sri Lankan port of Colombo was to serve as a key transit station for the route before it rounded India. However, the surprising upset election of Maithripala Sinsena as Sri Lankan president over the incumbent Mahinda Rajapaksa, who had ruled the country since 2005 and tilted it toward China, has cast doubt on whether this will be the case. Since coming to power, President Sirisena has pushed back Chinese influence and temporarily halted the $1.4 billion Chinese project to build a new port for Colombo. This project had been controversial, due to both fears over its environmental impact and the terms of the lease to China. However, Sinsensa's victory owed less to this factor than it did to popular disgust over the extraordinary corruption and abuse of power practiced by Rajapaksa and his brothers, who behaved as if they were kings while running Sri Lanka.[23] With the right kind of diplomacy, China may therefore be able to retain this link on the new maritime Silk Road.

Plans to establish an energy corridor between the Western Pakistan port of Gwadar and China also entail major risks and head winds. Pakistan faces a low-level insurgency in Balochistan Province, where Gwadar is located and through which the proposed gas pipeline extending from Iran is supposed to pass. In addition to demanding greater autonomy, the feudal lords in the region are pressing for greater royalties for the extraction of natural resources, and dislike the Chinese. Indeed, Chinese workers in this part of Pakistan have been the victims of targeted attacks in the past, despite their work in helping to develop the local infrastructure. Finally, the Gwadar port has failed to generate much business since its completion in 2006, which was the main factor in leading the Singapore PSA firm to withdraw early on from the agreement to operate it. Thus, China has rightfully taken a cautious, wait-and-see approach to Gwadar and projects tied to it.[24]

Last, China is encountering a different kind of head wind in Bangladesh, stemming from global geopolitics, as opposed to internal domestic politics. Here China may be beaten to the punch in building a deep-water port for Bangladesh by Japan, which has secured Dhaka's approval to begin building an 18-meter-deep port at Matarbarion, the southeast coast of Bangladesh, at the start of 2016. This decision was made while China and Bangladesh were continuing to negotiate approval for the Sonadia deep-water port, which is located about 15 miles away from Matarbarion. This development certainly complicates Chinese plans, as there will likely not be a need for two new deep-water ports in Bangladesh.[25]

The Chinese "string of pearls" strategy makes good sense against this backdrop. Due to the risks associated with factors such as ethnic conflicts or shifting political conditions in the Asian countries along the One Belt route, China is wise to try to accumulate a large number of pearls, so as to avoid putting all of its Maritime Silk Road port eggs into one basket. With this diversification, China can minimize the risks associated with head winds in one or more countries by having backup options that can step in and fill the breach. Kuantan could be seen as playing such a role, as could Chinese investment in flooding into Malaysia, which contrasts sharply with the strong downward trend of Chinese investment in Myanmar.[26]

With respect to Chinese companies seeking to go global by investing in such places, the Chinese Government should, as has been stressed at many points earlier in this book, provide advice and assistance to these firms in accurately assessing risk. As we have also emphasized, Chinese companies must also undertake such efforts on their own. In particular, they should make the best use of reputable and top-flight foreign risk analysis firms as well as draw upon the expertise in this area of Chinese think tanks such as CASS (as noted earlier in this book, CASS does risk analysis). Finally, in order to better understand conditions in diverse and complex foreign environments, the companies ought to effectively integrate knowledgeable foreign talent into the management of overseas investment operations. By taking these steps, firms will be able to lower risk and better ensure the success of investment, even those undertaken in the kind of difficult and unpredictable political social environments found throughout much of the project One Belt, One Road area.

In sum, then, although the One Belt, One Road initiative involves considerable risks, by working together the Chinese Government and Chinese business enterprises can to a large extent control and manage them. And once again, the potential payoffs of this project are enormous. Given just how large they are, even if it fails to realize its full potential, One Belt, One Road should mark the start of a new and very fruitful chapter of Chinese business going global.

Appendices: Statistical Overview and Analysis of Chinese Outbound Foreign Direct Investment

Comparison of Chinese Enterprises Foreign Investment Scale, 2000–2013 (in dollars)

	North America	Europe	Asia	Oceania	Africa	South America
0–1 million	6	1	0	0	0	0
1 million–10 million	4	10	2	1	0	0
10 million–0.1 billion	24	10	12	0	1	0
0.1 billion–1 billion	122	132	318	58	210	67
1 billion–10 billion	43	33	85	16	49	28
more than 10 billion	1	0	0	1	0	0

The scale of overseas investment by Chinese enterprises from 2000 to2013 amounting to between $1 million and $1 billion were concentrated in Asia and Africa, while those amounting to between $10 million and $10 billion were concentrated in North America.

Private enterprises are becoming more active in foreign investment, while the scale of such investment by state-owned enterprises remains huge

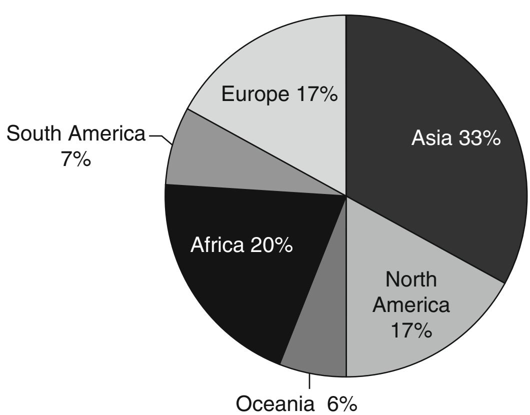
Based on our analysis of foreign investment cases, we can see that state-owned enterprises figure much more prominently than do private firms with respect to overseas investments amounting to between $1 and 10 billion. However, after the 2008 financial crisis, the number of private enterprises investing abroad grew rapidly, and these firms are expected to become a new force in Chinese outbound investment.

2000–2013 Foreign Investment Amount of State-Owned Enterprise and Private Enterprise (in dollars)

	state-owned enterprise	private enterprise
0–1 million	5	2
1 million–10 million	4	13
10 million–0.1 billion	24	23
0.1 billion–1 billion	708	199
1 billion–10 billion	217	37
more than 10 billion	2	0

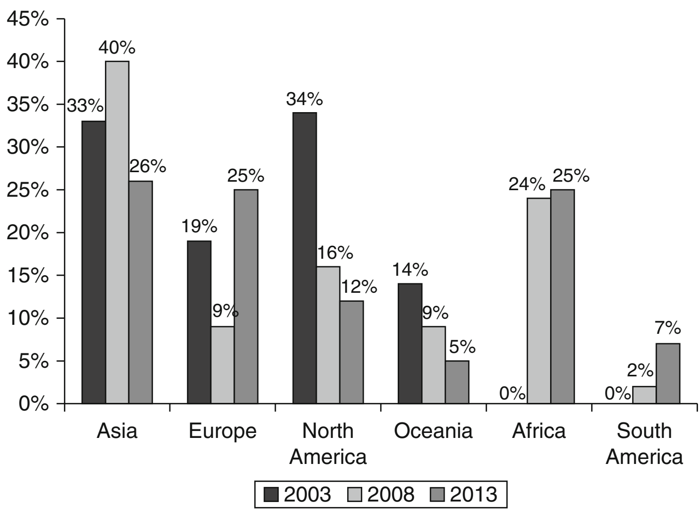
Chinese Enterprises Foreign Investment Regional Distribution during (2000–2013)

Chinese enterprises have invested abroad across all the world's six continents. With respect to the number of individual outbound investment projects undertaken by these companies, Asia ranks No. 1, accounting for 33%. Asian countries that have been targeted for Chinese outbound investment include Indonesia, Malaysia, and Pakistan. Africa takes second place, accounting for 20% of Chinese outbound investment. That investment is concentrated in Nigeria, Congo, Algeria, and Ethiopia. North America and Europe both account for 17% of Chinese outbound investment. Chinese outbound investment in North America is concentrated in the United States and Canada while in Europe its is mainly concentrated in Germany and Britain. Brazil and Australia are China's major investment targets in South America and Oceania.



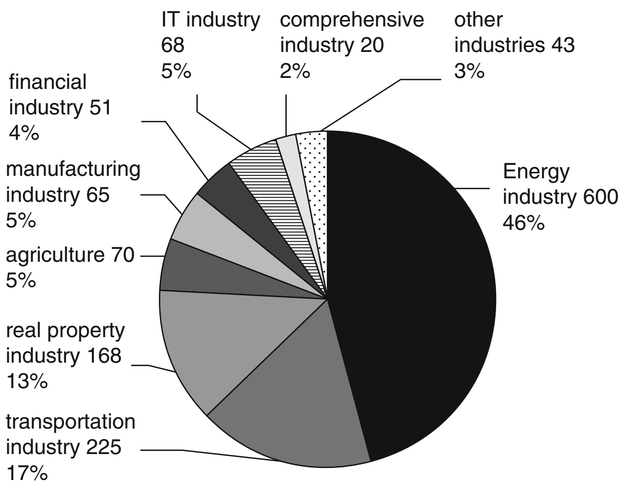
Chinese Enterprises Foreign Investment Regional Distribution (2003, 2008, and 2013)

Analyzing the foreign investment regions in 2003, 2008, and 2013, we find that overseas investment by individual Chinese firms is rising rapidly in South America and especially in Africa. These regions have gone from accounting for just a few cases of outbound investment to being among the top quarter with respect to the growth of Chinese outbound investment activity. Moreover, individual investment cases in North America and Oceania are decreasing. Finally, investment activity levels in Asia and Europe have changed somewhat since 2008. According to the latest global distribution in 2013, Asia (26%), Europe (25%), and Africa (25%) become the three main areas targeted by Chinese firms investing abroad.



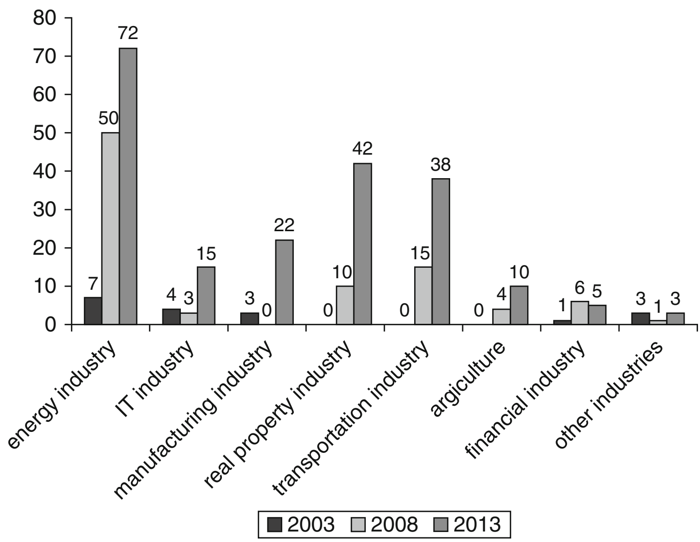
Distribution of Chinese Enterprises Overseas Investment by Industry (2000–2013)

Energy takes up the biggest share of Chinese overseas investment from 2000 to 2013, accounting for nearly half, or 46%, or the total. Transportation and real estate/property come in second and third, accounting for 17% and 13%, respectively. Agriculture and IT are tied for fourth place, with each accounting for 5% of Chinese overseas investment. They are followed by finance at 1%.



Chinese Enterprises Overseas Investment Industry Distribution (2003, 2008, and 2013)

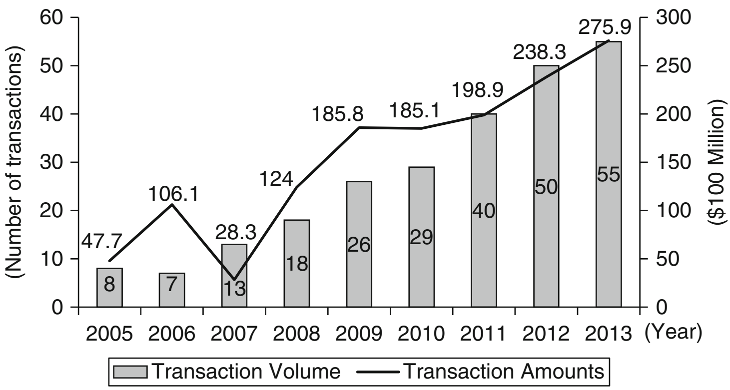
In general, the overseas investment activity of Chinese enterprises has been rising rapidly, with the fastest growth being in merger and acquisitions in the energy industry. The merger and acquisition in energy industry in 2013 was ten times greater than that of 2003. Outbound investment by the Chinese real estate/property, transportation, and manufacturing industries also grew faster while agriculture and finance experienced constant growth.



Chinese enterprises foreign direct investment pursue high added value, and American companies in high technology field are favored by Chinese investors

The traditional driving force in the past for Chinese overseas investment has been energy; however, this is now changing. Greater numbers of Chinese enterprises are now starting to invest in foreign high-tech fields, with the American high-tech industry being the target of choice for Chinese firms.

Trend of Chinese Enterprise Investment on New High-Tech Industry (2005–2013)

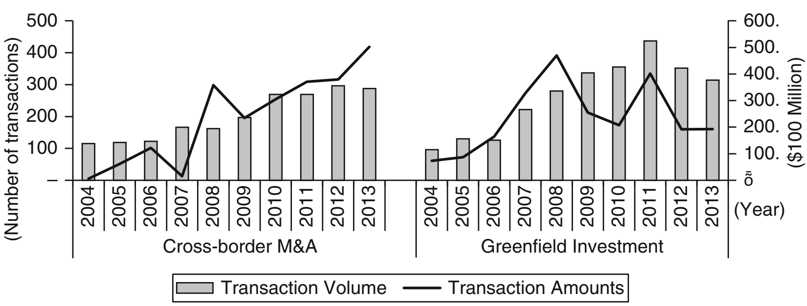


Some enterprises have begun to focus on global industrial chain integration, shifting from being participants in the global industrial chain to industry chain leaders

The scale of transnational mergers and acquisitions is growing while that of Greenfield investment has been declining

In 2013, the number of transnational mergers and acquisitions undertaken by Chinese firms amounted to 288. These cases were spread out over 70 countries and regions, with the value of the transactions totaling 50.2 billion dollars. Mergers and acquisitions accounted for 37.5% of total Chinese foreign investment. The proportion of Greenfield Investment in Chinese foreign investment has declined, but its total volume is still larger than Chinese enterprises foreign merger and acquisition investment activity.

Figure Comparison of China Transnational Merger and Acquisition and Greenfield Investment (2004–2013)



Note

The tables and figures in this appendix were derived from the various sources used in the tables and figures in Chapter 2 of the book

China Enterprise Foreign Investment Cases (2012.1–2014.6)

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
January 2012							
China Petrochemical Corporation	Devon Energy		2440 (244000)	33	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing
Wanfeng Group			1520 (152000)	0	merger and acquisition	financial	other financial activities
China Energy Engineering Group Co., Ltd.			1400 (140000)	0	merger and acquisition	construction	other construction
China Investment Corporation	Thames Water		920 (92000)	9	merger and acquisition	financial	other financial activities
China National Petroleum Corporation	Athabasca Oil Sands Project		670 (67000)	40	newly-established	manufacturing	petroleum processing, coking and nuclear fuel processing
Sany Heavy Industry Co., Ltd.	Putzmeister		480 (48000)	90	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Shandong Heavy Industry Group Co., Ltd.	Ferretti		460 (46000)	75	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China National Petroleum Corporation	Bow Energy		270 (27000)	50	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing
China Merchants Group	Aitken Spence		150 (15000)	30	merger and acquisition	financial	other financial activities
HNA Group Co., Ltd.	Assa Properties		130 (13000)	0	merger and acquisition	transportation, storage and post	air-transport
Jilin Jien Nickel Industry Co., Ltd.	Goldbrook Ventures		100 (10000)	100	merger and acquisition	mining	non-metal mineral mining and selecting
February 2012							
China National Offshore Oil Corporation			1450 (145000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	Usa	North America	
private	no	real estate	horizontal	finished	cash	Canada	North America	
state-owned	yes	mining	horizontal	finished	cash	Algeria	Africa	North Africa
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	mining	vertical	finished	cash	Georgia	Asia	West Asia
state-owned	yes	real estate	horizontal	finished	cash	Uk	Europe	Western Europe
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Russia	Europe	Eastern Europe
state-owned	yes	mining	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Greece	Europe	Western Europe
private	yes	real estate	horizontal	finished	cash	Canada	North America	
state-owned	no	manufacturing	horizontal	finished	cash	Canada	North America	
state-owned	yes	mining	horizontal	finished	cash	Uganda	Africa	"Sub-Saharan Africa"

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Three Gorges Corporation			1600 (160000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
China National Petroleum Corporation	Shell		1030 (103000)	20	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing
Sinochem Group	Total		980 (98000)	0	merger and acquisition	manufacturing	chemical raw materials and chemical products manufacturing
China Railway Construction Corporation Co.,Ltd			510 (51000)	0	merger and acquisition	transportation, storage and post	railway
State Grid Corporation of China	REN		510 (51000)	25	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
China Communications Construction Co., Ltd.			400 (40000)	0	merger and acquisition	construction	
China Three Gorges Corporation			350 (35000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
China Investment Corporation, China Petrochemical Corporation	Sunshine Oil Sand Project		300 (30000)	0	newly-established	financial	other financial activities
China Three Gorges Corporation			270 (27000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Sinochem Group	SIAT		260 (26000)	35	merger and acquisition	manufacturing	chemical raw materials and chemical products manufacturing
Goldwind	Mainstream Renewable Power		190 (19000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	Ethiopia	Africa	North Africa
state-owned	yes	mining	horizontal	finished	cash	Columbia	South America	
state-owned	yes	mining	horizontal	finished	cash	Kazakhstan	Asia	Central Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	USA	North America	
state-owned	yes	mining	horizontal	finished	cash	Malawi	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	South Africa	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
state-owned	yes	mining	vertical	finished	cash	Belgium	Europe	
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	mining	horizontal	finished	cash	Italy	Europe	Western Europe
private	no	mining	horizontal	finished	cash	Indonesia	Asia	Southeast Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Ocean Shipping (Group) Company			120 (12000)	0	merger and acquisition	transportation, storage and post	railway
Guangxi Liugong Group Co., Ltd	Huta Stalowa Wola		100 (10000)	100	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Golden Dragon Precise Copper Tube Group Inc.			100 (10000)	0	merger and acquisition	manufacturing	nonferrous metal smelting and calendaring
March 2012							
China General Nuclear Power Corporation, China Development Bank	Extract Resources		2380 (238000)	100	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Power Construction Corporation of China			1420 (142000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
State Grid Corporation of China	Copel		550 (55000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Anhui Conch Cement Company Limited			400 (40000)	0	merger and acquisition	manufacturing	non-metal mineral product
Power Construction Corporation of China			400 (40000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Power Construction Corporation of China			390 (39000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Dalian Shipbuilding Industry Co.,Ltd	Sino Tharwa		320 (32000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China Communications Construction Co., Ltd.			290 (29000)	0	merger and acquisition	construction	
Jushi Group Co.,Ltd			230 (23000)	0	merger and acquisition	manufacturing	chemical fibre manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Iraq	Asia	West Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Poland	Europe	Eastern Europe
private	no	manufacturing	horizontal	finished	cash	USA	North America	
state-owned	yes	manufacturing	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	real estate	horizontal	finished	cash	UAE	Asia	Central Asia
state-owned	yes	mining	horizontal	finished	cash	Russia	Europe	Eastern Europe
state-owned	yes	real estate	horizontal	finished	cash	Kazakhstan	Asia	Central Asia
state-owned	yes	mining	horizontal	finished	cash	Uganda	Africa	"Sub-Saharan Africa"
state-owned	yes	real estate	horizontal	finished	cash	Congo	Africa	
state-owned	yes	mining	horizontal	finished	cash	Papau New Guinea	Africa	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Cambodia	Asia	Southeast Asia
private	no	manufacturing	horizontal	finished	cash	UK	Europe	Western Europe

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Three Gorges Corporation			180 (18000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Bosai Minerals Group Co., Ltd.			100 (10000)	0	merger and acquisition	mining	nonferrous metal mining and selecting
Zijin Mining Group Co., Ltd.			100 (10000)	0	merger and acquisition	mining	nonferrous metal mining and selecting
April 2012							
Power Construction Corporation of China	Infrastructure Leasing &financial Services		2400 (240000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
China Petrochemical Corporation	Ghana National Gas		850 (85000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing
Aviation Industry Corporation of China	Hattat Holding		750 (75000)	0	merger and acquisition	scientific research, technology service and geological survey	research and development activities
Power Construction Corporation of China			630 (63000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
China North Industries Corporation	Basic Element		500 (50000)	0	merger and acquisition	manufacturing	specific device manufacturing
Xuzhou Construction Machinery Group Co., Ltd..	Schwing America, Inc.		330 (33000)	52	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Power Construction Corporation of China			250 (25000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
China National Machinery Industry Corporation	Albanisa		230 (23000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Hebei Iron & Steel Group Ltd	Alderon Iron Ore		200 (20000)	20	merger and acquisition	manufacturing	ferrous metal smelting and calendaring

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	Algeria	Africa	North Africa
foreign-funded	no	manufacturing	horizontal	finished	cash	Guyana	South America	
state-owned	yes	manufacturing	horizontal	finished	cash	Russia	Europe	Eastern Europe
state-owned	yes	mining	horizontal	finished	cash	India	Asia	South Asia
state-owned	yes	mining	horizontal	finished	cash	Poland	Europe	Eastern Europe
state-owned	yes	mining	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	cash	Djibouti	Africa	East Africa
state-owned	no	manufacturing	horizontal	finished	cash	Italy	Europe	Western Europe
state-owned	yes	real estate	horizontal	finished	cash	Brazil	South America	
state-owned	yes	mining	horizontal	finished	cash	Pakistan	Asia	South Asia
state-owned	yes	mining	horizontal	finished	cash	Canada	North America	
state-owned	yes	manufacturing	horizontal	finished	cash	Sudan	Asia	North Africa

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Investment Corporation	Blackrock		200 (20000)	0	merger and acquisition	financial	other financial activities
Shanghai Pengxin Group Co., Ltd.	Crafar Farms		170 (17000)	0	merger and acquisition	comprehensive	
China Railway Construction Corporation Co., Ltd.	Danya Cebus		140 (14000)	0	merger and acquisition	transportation, storage and post	railway
April 2012							
Sinochem Group			2950 (295000)	0	merger and acquisition	manufacturing	chemical raw materials and chemical products manufacturing
Wanda Group Co., Ltd.	AMC Entertainment		2600 (260000)	100	merger and acquisition	real estate	real estate
Bright Food (Group) Co., LTD.	Weetabix		1940 (94000)	60	merger and acquisition	manufacturing	food manufacturing
Huawei Technologies Co., Ltd.			1500 (150000)	0	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
China State Construction Engineering Corporation	Aabar		1350 (135000)	0	merger and acquisition	construction	
May 2012							
China State Construction Engineering Corporation			1340 (134000)	0	merger and acquisition	construction	
China Huadian Corporation	Complexul Energetic Rovinari		1300 (130000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
China North Industries Corporation	Tehran Railway		1250 (125000)	0	merger and acquisition	manufacturing	specific device manufacturing
China Railway Construction Corporation Co., Ltd.			990 (99000)	0	merger and acquisition	transportation, storage and post	railway

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	financial	horizontal	finished	cash	Chile	South America	
private	no	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Ukraine	Europe	Eastern Europe
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Israel	Asia	West Asia
state-owned	yes	real estate	horizontal	finished	cash	UAE	Asia	Central Asia
private	yes	comprehensive	horizontal	finished	cash	USA	North America	
private	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Australia	Oceania	
private	no	manufacturing	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	yes	real estate	horizontal	finished	cash	Venezuela	South America	
state-owned	yes	real estate	horizontal	finished	cash	Romania	Europe	Eastern Europe
state-owned	yes	mining	horizontal	finished	cash	Iran	Asia	West Asia
state-owned	no	transportation, storage and post	horizontal	finished	cash	Hungary	Europe	Eastern Europe
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Germany	Europe	Western Europe

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
State Grid Corporation of China	ACS		940 (94000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
China Communications Construction Co., Ltd.			720 (72000)	0	merger and acquisition	construction	
China Communications Construction Co., Ltd.			680 (68000)	0	merger and acquisition	construction	
State Administration of Foreign Exchange			440 (44000)	0	merger and acquisition	financial	other financial activities
China Investment Corporation	Polyus		420 (42000)	5	merger and acquisition	financial	other financial activities
Wanxiang Group	Great Point		420 (42000)	0	merger and acquisition	manufacturing	specific device manufacturing
The Export-Import Bank of China			240 (24000)	0	merger and acquisition	financial	other financial activities
China Construction Bank Corporation	WestLB		200 (20000)	0	merger and acquisition	construction	
United Energy Group Limited			200 (20000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing
China Ocean Shipping (Group) Company			150 (15000)	0	merger and acquisition	transportation, storage and post	railway
China Architecture & Research Group	CPG		150 (15000)	100	merger and acquisition	construction	
Shanghai Construction Group			120 (12000)	0	merger and acquisition	construction	
China National Machinery Industry Corporation	Procon		120 (12000)	60	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Power Construction Corporation of China			100 (10000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
China National Machinery Industry Corporation			100 (10000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	Ghana	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Mozambique	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Kenya	Africa	"Sub-Saharan Africa"
state-owned	yes	real estate	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	yes	manufacturing	horizontal	finished	cash	Saudi Arabia	Asia	West Asia
private	yes	mining	horizontal	finished	cash	Zimbabwe	Africa	"Sub-Saharan Africa"
state-owned	yes	comprehensive	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	yes	financial	horizontal	finished	cash	Saudi Arabia	Asia	West Asia
private	yes	mining	horizontal	finished	cash	Togo	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Singapore	Asia	Southeast Asia
state-owned	yes	real estate	horizontal	finished	cash	Brazil	South America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"
state-owned	yes	manufacturing	horizontal	finished	cash	USA	North America	
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Angola	Africa	
tate-owned	yes	mining	horizontal	finished	cash	Thailand	Asia	Southeast Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
June 2012							
China Communications Construction Co., Ltd.			1580 (158000)	0	merger and acquisition	construction	
Wison Group	Hyundai		1470 (147000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing
China Nickel Resources Holdings Company Limited	PT Jhonlinto		1260 (126000)	61	merger and acquisition	manufacturing	nonferrous metal smelting and calendaring
Sinochem Group	Sumber Segara Primadaya		700 (70000)	0	merger and acquisition	manufacturing	chemical raw materials and chemical products manufacturing
China Huadian Corporation			600 (60000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Hanergy Holding Group Limited	Q-Cells		510 (51000)	0	merger and acquisition	manufacturing	general equipment manufacturing
China Investment Corporation	Eutelsat		490 (49000)	7	merger and acquisition	financial	other financial activities
China Railway Construction Corporation Co., Ltd.	C.V.G. Ferrominera Orinoco		410 (41000)	0	merger and acquisition	transportation, storage and post	railway
China Three Gorges Corporation			360 (36000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Tencent Technology Co., Ltd.	Epic Games		330 (33000)	40	merger and acquisition	information transmission, computer service and software	computer service
Zijin Mining Group Co., Ltd.	Norton Gold		240 (24000)	100	merger and acquisition	mining	nonferrous metal mining and selecting
China Communications Construction Co., Ltd.	Electricite de		200 (20000)	0	merger and acquisition	construction	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Laos	Asia	Southeast Asia
private	yes	mining	horizontal	finished	cash	South Sudan	Asia	"Sub-Saharan Africa"
state-owned	yes	manufacturing	horizontal	finished	cash	Canada	North America	
state-owned	yes	mining	horizontal	finished	cash	Gabon	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	cash	Germany	Europe	Western Europe
private	yes	mining	horizontal	finished	cash	USA	North America	
state-owned	yes	manufacturing	horizontal	finished	cash	Brazil	South America	
state-owned	yes	manufacturing	horizontal	finished	cash	Kuwait	Asia	West Asia
state-owned	yes	mining	horizontal	finished	cash	Germany	Europe	Western Europe
private	no	manufacturing	horizontal	finished	cash	Nicaragua	Africa	"Sub-Saharan Africa"
state-owned	yes	manufacturing	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Togo	Africa	"Sub-Saharan Africa"

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
State Administration of Foreign Exchange	Veolia Water		200 (20000)	10	merger and acquisition	financial	other financial activities
China State Construction Engineering Corporation			170 (17000)	0	merger and acquisition	construction	
China National Machinery Industry Corporation			170 (17000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China Communications Construction Co., Ltd.	Saudi Global Ports		160 (16000)	0	merger and acquisition	construction	
Chery			120 (12000)	0	merger and acquisition	manufacturing	transportation equipment manufacturing
Hualing Group	Basisbank		100 (10000)	90	merger and acquisition	wholesale and retail	wholesale
China State Construction Engineering Corporation			100 (10000)	0	merger and acquisition	construction	
Power Construction Corporation of China	Electricite de		100 (10000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
July 2012							
China Communications Construction Co., Ltd.			2660 (266000)	0	merger and acquisition	construction	
China State Construction Engineering Corporation			1750 (175000)	0	merger and acquisition	construction	
China Petrochemical Corporation	Talisman		1500 (150000)	49	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing
State Administration of Foreign Exchange	GM		1500 (150000)	0	merger and acquisition	financial	other financial activities

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Djibouti	Africa	North Africa
state-owned	yes	real estate	horizontal	finished	cash	Switzerland	Europe	Western Europe
state-owned	yes	mining	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Sri Lanka	Asia	South Asia
private	yes	transportation, storage and post	horizontal	finished	cash	Cambodia	Asia	Southeast Asia
private	no	financial	horizontal	finished	cash	Georgia	Asia	West Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	USA	North America	
state-owned	yes	mining	horizontal	finished	cash	Vietnam	Asia	Southeast Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Kenya	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	mining	horizontal	finished	cash	USA	North America	
state-owned	yes	financial	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Railway Construction Corporation Co., Ltd.			1490 (149000)	0	merger and acquisition	transportation, storage and post	railway
State Grid Corporation of China	National Electric Corp.		1310 (131000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
CITIC Securities Co., Ltd.	CLSA Asia-Pacific Markets		1252 (125200)	100	merger and acquisition	financial	other financial activities
China Power Investment Corporation	Kompania Weglowa		740 (74000)	51	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
China Communications Construction Co., Ltd.			610 (61000)	0	merger and acquisition	construction	
China Electric Equipment Corporation			600 (60000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Zhongmei Engineering Group Ltd			600 (60000)	0	merger and acquisition	mining	coalmining and washing
State Administration of Foreign Exchange	Blackstone		500 (50000)	0	merger and acquisition	financial	other financial activities
China Communications Construction Co., Ltd.			460 (46000)	0	merger and acquisition	construction	
China Railway Engineering Corporation			360 (36000)	0	merger and acquisition	transportation, storage and post	railway
Sichuan Bohong Group	Wescast Industries		250 (25000)	100	merger and acquisition	comprehensive	
China National Machinery Industry Corporation			200 (20000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Hubei Changyang Hongxin Industrial Group Co.,Ltd			160 (16000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Venezuela	South America	
state-owned	yes	mining	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	yes	financial	horizontal	finished	cash	USA	North America	
state-owned	yes	mining	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Portugal	Europe	Western Europe
state-owned	no	production and supply of power, gas and water	horizontal	finished	cash	Turkey	Asia	West Asia
state-owned	no	mining	horizontal	finished	cash	Guyana	South America	
state-owned	yes	real estate	horizontal	finished	cash	Cameroon	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	USA	North America	
state-owned	yes	real estate	horizontal	finished	cash	USA	North America	
private	no	transportation, storage and post	horizontal	finished	cash	Brazil	South America	
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Ghana	Africa	"Sub-Saharan Africa"
private	no	manufacturing	horizontal	finished	cash	New Zealand	Oceania	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
CSR Corporation Limited			130 (13000)	0	merger and acquisition	manufacturing	transportation equipment manufacturing
Chinalco			100 (10000)	0	merger and acquisition	mining	nonferrous metal mining and selecting
August 2012							
China Huadian Corporation			640 (64000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Dafeng Port			600 (60000)	0	merger and acquisition	transportation, storage and post	railway
China Energy Engineering Group Co., Ltd.			500 (50000)	0	merger and acquisition	construction	other construction
China Investment Corporation	Cheniere		500 (50000)	0	merger and acquisition	financial	other financial activities
Huayou Cobalt Co., Ltd.			350 (35000)	0	merger and acquisition	manufacturing	non-metal mineral product
China State Construction Engineering Corporation			230 (23000)	0	merger and acquisition	construction	
China Merchants Group	Thesar Maritime Ltd.		190 (19000)	50	merger and acquisition	financial	other financial activities
China Merchants Group	Terminal		190 (19000)	50	merger and acquisition	financial	other financial activities
Beijing Shenwu Environment & Energy Technology Corp.			180 (18000)	0	merger and acquisition	mining	coalmining and washing
China Petrochemical Corporation	Mercuria Energy Group Ltd.		170 (17000)	50	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing
China Energy Engineering Group Co., Ltd.			130 (13000)	0	merger and acquisition	construction	other construction

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Taiwan	Asia	East Asia
state-owned	yes	manufacturing	horizontal	finished	cash	Zambia	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
private	no	manufacturing	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	mining	horizontal	finished	asset	Brazil	South America	
state-owned	yes	mining	horizontal	finished	cash	Germany	Europe	Western Europe
private	no	manufacturing	horizontal	finished	cash	Egypt	Africa	North Africa
state-owned	yes	real estate	horizontal	finished	cash	USA	North America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Mozambique	Africa	"Sub-Saharan Africa"
state-owned	yes	manufacturing	horizontal	finished	cash	Bangladesh	Asia	South Asia
state-owned	yes	mining	horizontal	finished	cash	Zimbabwe	Africa	"Sub-Saharan Africa"
state-owned	yes	comprehensive	horizontal	finished	cash	Angola	Africa	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
September 2012							
China Petrochemical Corporation	Summit Power Group, LLC		1020 (102000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing
Shandong Heavy Industry Group Co., Ltd.	Kion Group		930 (93000)	25	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China Nonferrous Metal mining (Group) Co., Ltd.			830 (83000)	0	merger and acquisition	mining	nonferrous metal mining and selecting
China Railway Construction Corporation Co., Ltd.			680 (68000)	0	merger and acquisition	transportation, storage and post	railway
Aviation Industry Corporation of China			650 (65000)	0	merger and acquisition	scientific research, technology service and geological survey	research and development activities
China Railway Engineering Corporation	Sithe Global Power LLC		510 (51000)	0	merger and acquisition	transportation, storage and post	railway
Wuhan Iron and Steel (Group)) Corp.	ThyssenKrupp AG		450 (45000)	0	merger and acquisition	manufacturing	ferrous metal smelting and calendaring
Beiqi Foton Motor Co., Ltd.			300 (30000)	0	merger and acquisition	manufacturing	transportation equipment manufacturing
Xinwei Telecom Technology Co.,Ltd			300 (30000)	0	merger and acquisition	information transmission, computer service and software	telecommunications and other information transmission service
Shandong Ruyi Technology Group Co., Ltd.	Lempriere Property		260 (26000)	80	merger and acquisition	manufacturing	textile
Hubei Private Financial Group			250 (25000)	0	merger and acquisition	financial	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	Brazil	South America	
state-owned	yes	real estate	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	yes	manufacturing	horizontal	finished	cash	Switzerland	Europe	Western Europe
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Kenya	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	cash	France	Europe	Western Europe
state-owned	yes	manufacturing	horizontal	finished	cash	Belarus	Europe	Eastern Europe
private	yes	transportation, storage and post	horizontal	finished	cash	USA	North America	
private	no	manufacturing	horizontal	finished	cash	Sri Lanka	Asia	South Asia
state-owned	no	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Nicaragua	Africa	"Sub-Saharan Africa"
private	no	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Australia	Oceania	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Shandong Gold Group Co., Ltd.	Focus Minerals Ltd.		240 (24000)	51	merger and acquisition	manufacturing	nonferrous metal smelting and calendaring
Shandong Energy Group Co., Ltd	Rocklands Richfield Ltd.		210 (21000)	100	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
China National Machinery Industry Corporation			210 (21000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China National Materials Group Corporation Ltd.	Southern Province Cement Company		180 (18000)	0	merger and acquisition	manufacturing	non-metal mineral product
Legend Holdings Ltd.	Digibras		150 (15000)	0	merger and acquisition	manufacturing	communication equipment⊠ computer and other electronic equipment manufacturing
China Communications Construction Co., Ltd.			150 (15000)	0	merger and acquisition	construction	
Huawei Technologies Co., Ltd.			150 (15000)	0	merger and acquisition	manufacturing	communication equipment⊠ computer and other electronic equipment manufacturing
China Power Investment Corporation			130 (13000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Beijing Geotechnical Institute	Complete Genomics		120 (12000)	100	merger and acquisition	mining	
Hanergy Holding Group Limited	MiaSole		120 (12000)	100	merger and acquisition	manufacturing	general equipment manufacturing
China National Machinery Industry Corporation			100 (10000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	no	manufacturing	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
private	no	mining	horizontal	finished	cash	Pakistan	Asia	South Asia
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Vietnam	Asia	Southeast Asia
state-owned	yes	real estate	horizontal	finished	cash	Pakistan	Asia	South Asia
state-owned	yes	manufacturing	horizontal	finished	cash	Ghana	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	India	Asia	South Asia
private	no	manufacturing	horizontal	finished	cash	Thailand	Asia	Southeast Asia
state-owned	yes	mining	horizontal	finished	cash	USA	North America	
state-owned	yes	manufacturing	horizontal	finished	cash	Canada	North America	
private	yes	mining	horizontal	finished	cash	Turkey	Asia	West Asia
state-owned	yes	manufacturing	horizontal	finished	cash	Uganda	Africa	"Sub-Saharan Africa"

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
October 2012							
China National Offshore Oil Corporation	BG Group		1930 (193000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing
China National Petroleum Corporation	TransCanada Corp.		1510 (151000)	50	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing
Greenland Group			900 (90000)	0	merger and acquisition	real estate	real estate
China Petrochemical Corporation			850 (85000)	0	merger and acquisition		petroleum processing, coking and nuclear fuel processing industry
China Investment Corporation	Ferrovial		730 (73000)	10	merger and acquisition	financial	other financial activities
Haier Group	Fisher & Paykel		680 (68000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China Communications Construction Co., Ltd.			660 (66000)	0	merger and acquisition	construction	
State Grid Corporation of China	ElectraNet Pty Ltd		510 (51000)	41	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
China Anhui Jianghuai Automobile Co., Ltd.			450 (45000)	0	merger and acquisition	manufacturing	transportation equipment manufacturing
China Metallurgical Group Corporation			890 (89000)	0	merger and acquisition	manufacturing	ferrous metal smelting and calendaring industry
China National Machinery Industry Corporation	Sugar Company		320 (32000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	Kenya	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	cash	Hungary	Europe	Eastern Europe
private	no	real estate	horizontal	finished	cash	Zambia	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	yes	transportation, storage and post	horizontal	finished	cash	New Zealand	Oceania	
state-owned	yes	comprehensive	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Jamaica	North America	
state-owned	yes	mining	horizontal	finished	cash	Germany	Europe	Western Europe
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	yes	manufacturing	horizontal	finished	asset	Vietnam	Asia	Southeast Asia
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Australia	Oceania	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
SAIC Motor Corporation Limited	CP Group		150 (15000)	51	merger and acquisition	manufacturing	transportation equipment manufacturing
China Railway Construction Corporation Co., Ltd.			150 (15000)	0	merger and acquisition	transportation, storage and post	railway industry
Shandong Linglong Tire Co., Ltd.			120 (12000)	0	merger and acquisition	manufacturing	rubber product industry
November 2012							
China Petrochemical Corporation	Total Petrochemicals USA Inc.		2500 (250000)	20	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China Petrochemical Corporation	DKRW Energy LLC		1980 (198000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China Power Investment Corporation	Samsung; Al Toukhi Group		990 (99000)	33	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Shanghai Zhongfu (Group) Co., Ltd			730 (73000)	0	merger and acquisition	real estate	real estate
China Investment Corporation	Government of Singapore Investment; Canada Pension Plan		460 (46000)	33	newly-established	financial	other financial activities
China Investment Corporation	Deutsche Bank		400 (40000)	0	merger and acquisition	financial	other financial activities
Sinochem Group	Saudi Basic Industries		400 (40000)	0	merger and acquisition	manufacturing	chemical raw materials and chemical products industry
China Communications Construction Co., Ltd.			480 (48000)	0	merger and acquisition	construction	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	Yes	transportation, storage and post	horizontal	finished	cash	New Zealand	Oceania	
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Zambia	Africa	"Sub-Saharan Africa"
private	yes	transportation, storage and post	horizontal	finished	cash	USA	North America	
state-owned	yes	mining	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	cash	USA	North America	
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Korea	Asia	East Asia
private	no	agriculture, forestry, animal husbandry and fishing	horizontal	finished	asset	Canada	North America	
state-owned	yes	real estate	vertical	finished	cash	Venezuela	South America	
state-owned	yes	real estate	horizontal	finished	cash	Ghana	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Senegal	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Uganda	Africa	"Sub-Saharan Africa"

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China National Building Materials Group Corporation	Tajik		300 (30000)	0	merger and acquisition	construction	
China National Materials Group Corporation Ltd.	Bosowa Corp.		210 (21000)	0	merger and acquisition	manufacturing	non-metal mineral product industry
Synutra International Inc.	Sodiaal Group		120 (12000)	0	merger and acquisition	manufacturing	food manufacturing
China Investment Corporation	Brookfield		110 (11000)	13	merger and acquisition	financial	other financial activities
December 2012							
China National Offshore Oil Corporation	Nexen Group		15100 (1510000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China National Machinery Industry Corporation	Petrochemical		2300 (230000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China National Petroleum Corporation	Encana Corp.		2180 (218000)	49	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China National Petroleum Corporation	BHP Billiton Ltd.		1630 (163000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China Metallurgical Group Corporation			1480 (148000)	0	merger and acquisition	manufacturing	ferrous metal smelting and calendaring industry
China National Petroleum Corporation	KazMunaiGas Exploration Production JSC		900 (90000)	50	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	real estate	horizontal	finished	cash	Canada	North America	
state-owned	yes	real estate	horizontal	finished	cash	Australia	Oceania	
private	no	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	USA	North America	
state-owned	yes	mining	horizontal	finished	cash	Canada	North America	
state-owned	yes	mining	horizontal	finished	cash	Cambodia	Asia	Southeast Asia
state-owned	yes	mining	horizontal	finished	cash	Canada	North America	
state-owned	yes	mining	horizontal	finished	cash	Nepal	Asia	South Asia
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
state-owned	yes	mining	horizontal	finished	cash	Turkey	Asia	West Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Sichuan Tianqi Industry Co., Ltd.	Talison Lithium Pty Ltd		840 (84000)	65	merger and acquisition	mining	nonferrous metal mining and selecting industry
Qingdao Jinsheng Group Co., Ltd	OC Oerlikon		700 (70000)	0	merger and acquisition	manufacturing	specific device manufacturing
Sinosteel Corporation			660 (66000)	0	merger and acquisition	manufacturing	ferrous metal smelting and calendaring industry
Harbin Electric Corporation	Genting Group		640 (64000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Hebei Iron & Steel Group Ltd	Palabora Mining Company Ltd		380 (38000)	35	merger and acquisition	manufacturing	ferrous metal smelting and calendaring industry
Country Garden Holdings Co., Ltd			330 (33000)	0	merger and acquisition	real estate	real estate
Wanxiang Group	A123 Systems, LLC		260 (26000)	0	merger and acquisition	manufacturing	specific device manufacturing
Zoomlion Heavy Industry Science & Technology Development Co., Ltd.	Compagnia Italiana Forme Acciaio S.P.A.		240 (24000)	40	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
State Grid Corporation of China	Copel; Furnas		220 (22000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
China Merchants Group	Port de Djibouti S.A.		190 (19000)	24	merger and acquisition	financial	other financial activities
Inner Mongolia Yili Industrial Group Co., Ltd.	Oceania Dairy Group Limited		170 (17000)	100	merger and acquisition	manufacturing	food manufacturing
China Ocean Shipping (Group) Company China Merchants Group	YangMing Marine Transport Corporation		140 (14000)	10	merger and acquisition	transportation, storage and post	railway industry
State Administration of Foreign Exchange	One Angel Square		110 (11000)	49	merger and acquisition	financial	other financial activities

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	No	manufacturing	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
private	Yes	comprehensive	horizontal	finished	cash	Cameroon	Africa	"Sub-Saharan Africa"
state-owned	yes	manufacturing	horizontal	finished	cash	Russia	Europe	Eastern Europe
state-owned	Yes	mining	horizontal	finished	cash	Brazil	South America	
state-owned	yes	manufacturing	horizontal	finished	cash	Vietnam	Asia	Southeast Asia
private	yes	real estate	horizontal	finished	cash	Tajikistan	Asia	Central Asia
private	yes	mining	horizontal	finished	cash	Egypt	Africa	North Africa
state-owned	yes	real estate	horizontal	finished	cash	Saudi Arabia	Asia	West Asia
state-owned	yes	mining	horizontal	finished	cash	Brazil	South America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	South Sudan	Asia	"Sub-Saharan Africa"
private	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Saudi Arabia	Asia	West Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	France	Europe	Western Europe
state-owned	yes	real estate	horizontal	finished	cash	Thailand	Asia	Southeast Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Tencent Technology Co., Ltd.	ZAM		0 (0)	0	merger and acquisition	information transmission, computer service and software	
Tencent Technology Co., Ltd.	LevelUp		26.95 (2695)	49	merger and acquisition	information transmission, computer service and software	
January 2013							
China Power Investment Corporation			5950 (595000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Sinochem Group	Pioneer Natural Resouces Co.		1700 (170000)	40	merger and acquisition	manufacturing	chemical raw materials and chemical products manufacturing
China Minmetals Corporation			1570 (157000)	0	merger and acquisition	mining	nonferrous metal mining and selecting industry
Sky Solar New Energy Institute			1360 (136000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Sinochem Group			1100 (110000)	0	merger and acquisition	manufacturing	chemical raw materials and chemical products manufacturing
China Communications Construction Co., Ltd.			930 (93000)	0	merger and acquisition	construction	
China Communications Construction Co., Ltd.			850 (85000)	0	merger and acquisition	construction	
China Nonferrous Metal mining (Group) Co., Ltd.			710 (71000)	0	merger and acquisition	mining	nonferrous metal mining and selecting industry
China State Construction Engineering Corporation			320 (32000)	0	merger and acquisition	construction	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	yes	information transmission, computer service and software	horizontal	finished	cash	USA	North America	
private	yes	information transmission, computer service and software	horizontal	finished	cash	Singapore	Asia	Southeast Asia
state-owned	yes	manufacturing	horizontal	finished	cash	Guinea	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	cash	USA	North America	
state-owned	yes	manufacturing	horizontal	finished	cash	Australia	Oceania	
private	no	mining	horizontal	finished	cash	Chile	South America	
state-owned	yes	mining	horizontal	finished	cash	Turkey	Asia	West Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Ivory Coast	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Serbia	Europe	Eastern Europe
state-owned	yes	manufacturing	horizontal	finished	cash	Iran	Asia	West Asia
state-owned	yes	real estate	horizontal	finished	cash	Mozambique	Africa	"Sub-Saharan Africa"

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Communications Construction Co., Ltd.			300 (30000)	80	newly-established	construction	
China Three Gorges Corporation			260 (26000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
China National Machinery Industry Corporation	JD Development Group		130 (13000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China State Construction Engineering Corporation			110 (11000)	0	merger and acquisition	construction	
China Communications Construction Co., Ltd.			300 (30000)	80	merger and acquisition	construction	
China National Materials Group Corporation, Ltd.	PT Cemindo Gemilang		350 (35000)	0	merger and acquisition	construction	
February 2013							
Sinochem Group	Petrobras		1540 (154000)	35	merger and acquisition	manufacturing	chemical raw materials and chemical products manufacturing
China Petrochemical Corporation	Chesapeake Energy Corp.		1020 (102000)	50	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Greenland Group	California State Teachers' Retirement System		990 (99000)	0	merger and acquisition	real estate	real estate
State Administration of Foreign Exchange	UPP Group		840 (84000)	40	merger and acquisition	financial	other financial activities
Guangxi Beibu Gulf Investment Group Co.,Ltd			650 (65000)	0	merger and acquisition	construction	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	transportation, storage and post	vertical	finished	asset	Pakistan	Asia	South Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Pakistan	Asia	
state-owned	yes	real estate	horizontal	finished	cash	Canada	North America	
state-owned	yes	real estate	horizontal	finished	cash	Equatorial Guinea	Africa	"Sub-Saharan Africa"
state-owned	Yes	mining	horizontal	finished	cash	Germany	Europe	Western Europe
state-owned	yes	real estate	vertical	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	yes	mining	horizontal	finished	cash	Brazil	South America	
state-owned	yes	mining	horizontal	finished	cash	USA	North America	
private	no	real estate	horizontal	finished	cash	USA	North America	
state-owned	Yes	real estate	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	yes	manufacturing	horizontal	finished	cash	Malaysia	Asia	Southeast Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Vanke Co., Ltd.	Tishman Speyer Properties		620 (62000)	70	merger and acquisition	real estate	real estate
HNA Group Co., Ltd.	NH Hotel Group		310 (31000)	20	merger and acquisition	transportation, storage and post	water transportation industry
Power Construction Corporation of China	Tenaga Nasional		240 (24000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Zhejiang Geely Holding Group	Manganese Bronze Holdings Plc		150 (15000)	100	merger and acquisition	manufacturing	transportation equipment manufacturing
Guangdong YASHILI Group Co., Ltd.			180 (18000)	0	merger and acquisition	manufacturing	food manufacturing
China Investment Corporation	Moscow Exchange Group		100 (10000)	20	merger and acquisition	financial	other financial activities
HNA Group Co., Ltd.	NH Hotel Group		310 (31000)	20	merger and acquisition	transportation, storage and post	air-transport industry
March 2013							
China National Petroleum Corporation			4210 (421000)	29	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
State Grid Corporation of China	Sintez Group		1140 (114000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Wanda Group Co., Ltd.			1530 (153000)	100	merger and acquisition	real estate	real estate
Power Construction Corporation of China	OM Holdings Limited		300 (30000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Shanghai Construction Group			250 (25000)	0	merger and acquisition	construction	
China National Materials Group Corporation, Ltd.	Tunggal Prakarsa PT Tbk		120 (12000)	0	merger and acquisition	construction	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	yes	real estate	horizontal	finished	cash	USA	North America	
state-owned	yes	real estate	mixed	finished	cash	Spain	Europe	Western Europe
state-owned	yes	mining	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
private	Yes	transportation, storage and post	horizontal	finished	cash	UK	Europe	Western Europe
private	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	New Zealand	Oceania	
state-owned	yes	financial	horizontal	finished	cash	Russia	Europe	Eastern Europe
private	yes	real estate	horizontal	finished	cash	USA	North America	
state-owned	yes	mining	horizontal	finished	cash	Mozambique	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	cash	Russia	Europe	Eastern Europe
private	yes	real estate	horizontal	finished	cash	Italy	Europe	Western Europe
state-owned	yes	manufacturing	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
state-owned	Yes	transportation, storage and post	horizontal	finished	cash	Cambodia	Asia	Southeast Asia
state-owned	yes	real estate	horizontal	finished	cash	Indonesia	Asia	Southeast Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China State Construction Engineering Corporation			120 (12000)	0	newly-established	construction	
China State Construction Engineering Corporation			110 (11000)	0	merger and acquisition	construction	
Power Construction Corporation of China			100 (10000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Anhui Foreign Economic Construction (Group) Co., Ltd.			100 (10000)	0	merger and acquisition	construction	
China State Construction Engineering Corporation			100 (10000)	0	merger and acquisition	construction	
April 2013							
China Railway Construction Corporation Co., Ltd. ; China Nonferrous Metal mining (Group) Co., Ltd.			2040 (204000)	0	merger and acquisition	transportation, storage and post	railway industry
Huawei Technologies Co., Ltd.	VimpelCom Ltd.		1300 (130000)	0	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
State Grid Corporation of China			1000 (100000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
China Molybdenum Co., Ltd.	Rio Tinto Group		820 (82000)	80	merger and acquisition	manufacturing	nonferrous metal smelting and calendaring industry
Huawei Technologies Co., Ltd.	Globacom Limited		750 (75000)	0	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	real estate	horizontal	finished	cash	UAE	Asia	Central Asia
state-owned	yes	mining	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	yes	real estate	horizontal	finished	cash	Congo	Africa	
state-owned	yes	comprehensive	horizontal	finished	cash	Congo	Africa	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Zambia	Africa	"Sub-Saharan Africa"
state-owned	yes	manufacturing	horizontal	finished	cash	Ecuador	South America	
private	no	manufacturing	horizontal	finished	cash	Italy	Europe	Western Europe
state-owned	Yes	mining	horizontal	finished	cash	Ethiopia	Africa	North Africa
state-owned	no	manufacturing	horizontal	finished	cash	Australia	Oceania	
private	no	manufacturing	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Nonferrous Metal mining (Group) Co., Ltd.	East Siberian Metals Corporation		750 (75000)	50	merger and acquisition	mining	nonferrous metal mining and selecting industry
Industrial and Commercial Bank of China	SinoPac Financial Holdings Co Ltd.		680 (68000)	20	merger and acquisition	financial	banking industry
Fosun International, Ltd.	Alma Lasers		240 (24000)	96	merger and acquisition	comprehensive	
China Jiangsu International Economic and Technical Cooperation Group, Ltd.			200 (20000)	0	merger and acquisition	financial	other financial activities
China National Machinery Industry Corporation			170 (17000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Aviation Industry Corporation of China			130 (13000)	26	merger and acquisition	scientific research, technology service and geological survey	research and development activities
China Vanke Co., Ltd.			110 (11000)	30	merger and acquisition	real estate	real estate
COFCO Corporation			320 (32000)	0	merger and acquisition	manufacturing	food manufacturing
China Investment Corporation	Russia Forest Products Group		100 (10000)	0	merger and acquisition	financial	other financial activities
Homeyeh International Limited	Singpoli Group		100 (10000)	0	merger and acquisition	manufacturing	rubber product industry
COFCO Corporation			320 (32000)	0	merger and acquisition	manufacturing	food manufacturing
May 2013							
Harbin Electric Corporation	Hattat Holding AS		2400 (240000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	manufacturing	horizontal	finished	cash	Russia	Europe	Eastern Europe
state-owned	yes	financial	horizontal	finished	cash	Taiwan	Asia	East Asia
private	yes	manufacturing	horizontal	finished	cash	Israel	Asia	West Asia
state-owned	no	transportation, storage and post	horizontal	finished	cash	Zimbabwe	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Papau New Guinea	Africa	
state-owned	yes	mining	horizontal	finished	cash	Korea	Asia	East Asia
private	yes	real estate	horizontal	finished	cash	Singapore	Asia	Southeast Asia
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Brazil	South America	
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Russia	Europe	Eastern Europe
private	no	financial	horizontal	finished	cash	USA	North America	
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	yes	mining	horizontal	finished	cash	Turkey	Asia	West Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
State Grid Corporation of China	Singapore Power		2350 (235000)	60	merger and acquisition	production and supply of power, gas and water industry	production and supply of power and heat industry
Power Construction Corporation of China; China National Machinery Industry Corporation			1290 (129000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
State Grid Corporation of China	Singapore Power		810 (81000)	20	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
China Energy Engineering Group Co., Ltd.	Rafako S.A.		560 (56000)	33	merger and acquisition	construction	other construction
Dongguan Yangming Trade Co., Ltd.	Speranta & Succesul S.A.		540 (54000)	0	merger and acquisition	manufacturing	general equipment manufacturing
China Communications Construction Co., Ltd.			540 (54000)	0	merger and acquisition	construction	
China National Materials Group Corporation Ltd.			540 (54000)	0	merger and acquisition	manufacturing	non-metal mineral product industry
China Merchants Group	CMA CGM Group		530 (53000)	49	merger and acquisition	financial	other financial activities
Tsingshan Holding Group	Bintang Delapan Group		530 (53000)	50	merger and acquisition	manufacturing	metal product industry
China Communications Construction Co., Ltd.			510 (51000)	0	merger and acquisition	construction	
Power Construction Corporation of China			500 (50000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Tianjin Development KETAI Chemical New Material Development Limited Company			500 (50000)	0	merger and acquisition	manufacturing	chemical fibre manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	mining	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	mining	horizontal	finished	cash	Poland	Europe	Eastern Europe
private	no	mining	horizontal	finished	cash	Romania	Europe	Eastern Europe
state-owned	yes	real estate	horizontal	finished	cash	Sri Lanka	Asia	South Asia
state-owned	yes	real estate	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	France	Europe	Western Europe
private	no	manufacturing	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Yemen	Asia	West Asia
state-owned	yes	mining	horizontal	finished	cash	Ivory Coast	Africa	"Sub-Saharan Africa"
private	no	real estate	horizontal	finished	cash	Egypt	Africa	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
ZTE Corporation	Globacom Limited		500 (50000)	0	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
Wanda Group Co., Ltd.	Sunseeker International		500 (50000)	92	merger and acquisition	real estate	real estate
China National Petroleum Corporation	Halfaya		500 (50000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China Three Gorges Corporation			500 (50000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
China Railway Engineering Corporation	NHC		500 (50000)	0	merger and acquisition	transportation, storage and post	railway industry
Greenland Group	Brookfield Asset Management, Inc.		490 (49000)	0	merger and acquisition	real estate	real estate
China National Machinery Industry Corporation			150 (15000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Qixing Group Co., Ltd.	Stonewall Resources Ltd		140 (14000)	0	merger and acquisition	manufacturing	nonferrous metal smelting and calendaring industry
China National Machinery Industry Corporation			130 (13000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China State Construction Engineering Corporation			130 (13000)	0	merger and acquisition	construction	
Shuanghui Industry Co., Ltd.	Smithfield Foods Inc.		7100 (710000)	100	merger and acquisition	manufacturing	food manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	yes	manufacturing	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"
private	yes	transportation, storage and post	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	Yes	mining	horizontal	finished	cash	Iraq	Asia	West Asia
state-owned	yes	mining	horizontal	finished	cash	Uganda	Africa	"Sub-Saharan Africa"
state-owned	yes	real estate	horizontal	finished	cash	Tanzania	Africa	"Sub-Saharan Africa"
private	No	real estate	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Nepal	Asia	South Asia
private	no	manufacturing	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	manufacturing	horizontal	finished	cash	Bangladesh	Asia	South Asia
state-owned	yes	construction	horizontal	finished	cash	USA	North America	
private	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	USA	North America	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Communications Construction Co., Ltd.			120 (12000)	0	newly-established	construction	
China National Machinery Industry Corporation			230 (23000)	0	merger and acquisition	construction	
China State Construction Engineering Corporation			130 (13000)	0	merger and acquisition	construction	
June 2013							
China Petrochemical Corporation	Marathon Oil Corporation		1520 (152000)	10	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Wanda Group Co., Ltd.			1090 (109000)	0	merger and acquisition	real estate	real estate
China National Petroleum Corporation	Novatek Inc.		940 (94000)	20	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
SOHO China	GM Building		680 (68000)	20	merger and acquisition	real estate	real estate
Guangxi Beibu Gulf Investment Group Co., Ltd.	IJM Corporation		480 (48000)	40	merger and acquisition	construction	
China Communications Construction Co., Ltd.			480 (48000)	0	merger and acquisition	construction	
CITIC Limited	Alumina Ltd.		470 (47000)	13	merger and acquisition	financial	other financial activities
China Communications Construction Co., Ltd.			470 (47000)	0	merger and acquisition	construction	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Gabon	Africa	"Sub-Saharan Africa"
state-owned	yes	fishing industry agriculture, forestry, animal husbandry and fishery industry	mixed	finished	cash	Sri Lanka	Asia	South Asia
state-owned	yes	transportation, storage and post	horizontal	finished	stock right	Germany	Europe	Western Europe
state-owned	yes	mining	horizontal	finished	cash	Angola	Africa	
private	yes	real estate	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	Yes	mining	horizontal	finished	cash	Russia	Europe	Eastern Europe
private	yes	real estate	horizontal	finished	cash	USA	North America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Kenya	Africa	" Sub-Saharan Africa "
state-owned	yes	manufacturing	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Costa Rica	North America	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China National Machinery Industry Corporation			430 (43000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China National Machinery Industry Corporation	Eurafric Power Ltd		420 (42000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China State Construction Engineering Corporation			400 (40000)	0	merger and acquisition	construction	
Guangxi Beibu Gulf Investment Group Co., Ltd.	China Kuantan Industrial Park		400 (40000)	49	merger and acquisition	construction	
Shanghai Electric Group Co., Ltd.	Electric Supply		400 (40000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
MicroPort	Wright Medical Group, Inc.	Wright medical orthopedics business	290 (29000)	100	merger and acquisition	manufacturing	medicine manufacturing
CSR Corporation Limited	ZF Friedrich-shafen AG		400 (40000)	0	merger and acquisition	manufacturing	transportation equipment manufacturing
Power Construction Corporation of China			400 (40000)	51	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Ping An Insurance (Group) Company of China, Ltd.	Commerz Real AG		390 (39000)	0	merger and acquisition	financial	insurance industry
COMTEC Solar System			380 (38000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Fosun International, Ltd.	Club Med		360 (36000)	46	merger and acquisition	comprehensive	
Great Wall Motors Company Limited			340 (34000)	0	merger and acquisition	manufacturing	transportation equipment manufacturing
Shandong Hi-speed Group Co., Ltd.			330 (33000)	0	merger and acquisition	transportation, storage and post	road transportation industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Sri Lanka	Asia	South Asia
state-owned	yes	mining	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"
state-owned	yes	real estate	horizontal	finished	cash	Algeria	Africa	North Africa
state-owned	yes	real estate	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
state-owned	Yes	mining	horizontal	finished	cash	Tanzania	Africa	"Sub-Saharan Africa"
private	no	manufacturing	horizontal	finished	cash	USA	North America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Germany	Europe	Western Europe
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Macedonia	Africa	Southern Europe
private	yes	real estate	horizontal	finished	stock right	UK	Europe	Western Europe
foreign-funded	No	mining	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
private	Yes	comprehensive industry	horizontal	finished	cash	France	Europe	Western Europe
private	Yes	transportation, storage and post	horizontal	finished	cash	Thailand	Asia	Southeast Asia
state-owned	Yes	transportation, storage and post	horizontal	finished	cash	Serbia	Europe	Eastern Europe

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Aviation Industry Corporation of China			260 (26000)	0	merger and acquisition	scientific research, technology service and geological survey	research and development activities
Aviation Industry Corporation of China			260 (26000)	0	merger and acquisition	scientific research, technology service and geological survey	research and development activities
China State Construction Engineering Corporation	Bata University		240 (24000)	0	merger and acquisition	construction	
Shanghai Construction Group			160 (16000)	0	merger and acquisition	construction	
China Jiangxi Corporation for International Economic and Technical Cooperation			140 (14000)	0	merger and acquisition	financial	other financial activities
China Communications Construction Co., Ltd.			140 (14000)	0	merger and acquisition	construction	
China National Machinery Industry Corporation			650 (65000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
CDH Investments	Mobile World		110 (11000)	10	merger and acquisition	financial	other financial activities
			110 (11000)	100	merger and acquisition	manufacturing	medicine manufacturing
MicroPort	Wright Medical Group, Inc.	Wright medical orthopedics business	290 (29000)	100	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China Petrochemical Corporation	Marathon Oil Corporation		1520 (152000)	10	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	real estate	horizontal	finished	cash	Sri Lanka	Asia	South Asia
state-owned	yes	real estate	horizontal	finished	cash	Sri Lanka	Asia	South Asia
state-owned	yes	real estate	horizontal	finished	cash	Equatorial Guinea	Africa	"Sub-Saharan Africa"
state-owned	yes	real estate	horizontal	finished	cash	Trinidad	Africa	
state-owned	no	mining	horizontal	finished	cash	Kenya	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Vietnam	Asia	Southeast Asia
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Ethiopia	Africa	North Africa
private	no	manufacturing	horizontal	finished	cash	Vietnam	Asia	Southeast Asia
foreign-funded	no	manufacturing	horizontal	finished	cash	USA	North America	
private	no	manufacturing	horizontal	finished	cash	USA	North America	
state-owned	yes	mining	horizontal	finished	cash	Angola	Africa	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Zarsion	Signature Development Group		750 (75000)	0	merger and acquisition	real estate	real estate
China Communications Construction Co., Ltd.			600 (60000)	0	newly-established	construction	
July 2013							
China National Petroleum Corporation	KazMunaiGas Exploration Production JSC		5300 (530000)	8	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China Kingho Group			1700 (170000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China Communications Construction Co., Ltd.			1430 (143000)	0	merger and acquisition	construction	
Harbin Electric Corporation	Celec Enterprises		600 (60000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Tencent Technology Co., Ltd..	Activision Publishing, Inc.		350 (35000)	6	merger and acquisition	information transmission, computer service and software	computer service industry
China Railway Engineering Corporation			300 (30000)	0	merger and acquisition	transportation, storage and post	railway industry
Meidu Holding	Woodbine Holdings LLC; Woodbine Acquisition LLC		135 (13500)	100	merger and acquisition	real estate	real estate
Power Construction Corporation of China			280 (28000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Greenland Group	Melia Hotels International, S.A.		240 (24000)	0	merger and acquisition	real estate	real estate

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	no	real estate	horizontal	finished	cash	USA	North America	
state-owned	yes	transportation, storage and post	vertical	finished	cash	Qatar	Asia	West Asia
state-owned	Yes	mining	horizontal	finished	cash	Kazakhstan	Asia	Central Asia
state-owned	no	manufacturing	horizontal	finished	cash	Sierra Leone	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Sri Lanka	Asia	South Asia
state-owned	yes	mining	horizontal	finished	cash	Ecuador	South America	
private	no	manufacturing	horizontal	finished	cash	USA	North America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Sierra Leone	Africa	"Sub-Saharan Africa"
private	yes	real estate	horizontal	finished	cash	USA	North America	
state-owned	Yes	mining	horizontal	finished	cash	Bosnia	Africa	
private	no	real estate	horizontal	finished	cash	Spain	Europe	Western Europe

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China National Machinery Industry Corporation			200 (20000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Yunnan Copper (Group) Co., Ltd.	Kilembe Mines Ltd.		180 (18000)	100	merger and acquisition	manufacturing	nonferrous metal smelting and calendaring industry
China State Construction Engineering Corporation			160 (16000)	0	merger and acquisition	construction	
China Petrochemical Corporation			110 (11000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China Construction Bank Corporation	VTB Bank		100 (10000)	2	merger and acquisition	construction	
China Metallurgical Group Corporation			100 (10000)	0	merger and acquisition	manufacturing	metal smelting
China Communications Construction Co., Ltd.			100 (10000)	0	newly-established	construction	
Shandong Yongtai Chemical Group Co., Ltd.	Covpress International Holdings Ltd Company		46.24 (4624)	70	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China Metallurgical Group Corporation			100 (10000)	0	merger and acquisition	manufacturing	ferrous metal smelting and calendaring, manufacturing
GF Futures Co., Ltd.	NCM Futures Company		0 (0)	0	merger and acquisition	financial	other financial activities
Hanergy Holding Group Limited	Deutsche Mittelstands-finanz GmbH	Global Solar Energy, Inc.	0 (0)	100	merger and acquisition	manufacturing	specific device manufacturing
AVIC International Holding Corporation	Germany Dresden	Thielert aircraft power plants company	0 (0)	0	merger and acquisition	manufacturing	transportation equipment manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"
state-owned	Yes	manufacturing	horizontal	finished	stock right	Uganda	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	UAE	Asia	Central Asia
state-owned	yes	manufacturing	horizontal	finished	cash	Singapore	Asia	Southeast Asia
state-owned	yes	financial	horizontal	finished	cash	Russia	Europe	Eastern Europe
state-owned	yes	manufacturing	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	yes	transportation, storage and post	vertical	finished	cash	Malaysia	Asia	Southeast Asia
private	Yes	manufacturing	horizontal	finished	cash	USA	North America	
state-owned	yes	manufacturing	horizontal	finished	stock right	Japan	Asia	East Asia
private	yes	financial	horizontal	finished	asset	Laos	Asia	Southeast Asia
private	yes	manufacturing	horizontal	finished	cash	Germany	Europe	Western Europe
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Malaysia	Asia	Southeast Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Communications Construction Co., Ltd.			500 (50000)	0	newly-established	construction	
August 2013							
China Petrochemical Corporation	Apache Corporation		3100 (310000)	33	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Huawei Technologies Co., Ltd.			1600 (160000)	0	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
Shandong Bright Ruby Company	Park Hotel		910 (91000)	0	merger and acquisition	financial	other financial activities
China National Machinery Industry Corporation			320 (32000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China Ocean Shipping (Group) Company			300 (30000)	0	merger and acquisition	transportation, storage and post	railway industry
Sinochem Group	Brazil National Oil Company BC-10 block		1543 (154300)	35	newly-established	manufacturing	chemical raw materials and chemical products manufacturing
Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd.	Inova Resources Limited		160 (16000)	85	merger and acquisition	mining	coalmining and washing industry
China National Machinery Industry Corporation			220 (22000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Zhejiang Changheng Machinery Co., Ltd.			200 (20000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Shanxi Coking Coal Group Co., Ltd	Inova Resources Limited		140 (14000)	100	merger and acquisition	mining	coalmining and washing industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	transportation, storage and post	vertical	finished	cash	Saudi Arabia	Asia	West Asia
state-owned	yes	mining	horizontal	finished	cash	Egypt	Africa	North Africa
private	no	manufacturing	horizontal	finished	cash	Ethiopia	Africa	North Africa
private	no	real estate	horizontal	finished	cash	Singapore	Asia	Southeast Asia
state-owned	Yes	manufacturing	horizontal	finished	cash	Equatorial Guinea	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Greece	Europe	Western Europe
state-owned	yes	mining	vertical	finished	cash	Brazil	South America	
private	No	mining	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	manufacturing	horizontal	finished	cash	Turkey	Asia	West Asia
private	no	real estate	horizontal	finished	cash	Brazil	South America	
state-owned	yes	manufacturing	horizontal	finished	cash	Australia	Oceania	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Belle International Holdings Limited	Baroque Japan		120 (12000)	32	merger and acquisition	manufacturing	clothing shoes and hats manufacturing
China National Machinery Industry Corporation			320 (32000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China Communications Construction Co., Ltd.			300 (30000)	0	merger and acquisition	construction	
China National Machinery Industry Corporation			220 (22000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Sichuan Xinglida Group		Marriott Hotel in City of Torrance	47 (4700)	0	merger and acquisition	information transmission, computer service and software	tele-communications and other information transmission service industry
China General Nuclear Power Corporation		"Cernavod nuclear power plant unit 3 and unit 4 "	0 (0)	0	merger and acquisition	information transmission, computer service and software	computer service industry
HUAYU Automotive Systems Co., Ltd.	Visteon Corporation		0 (0)	50	merger and acquisition	manufacturing	transportation equipment manufacturing
Power Construction Corporation of China	Sarawak Cable Bhd		190 (19000)	0	merger and acquisition	construction	
Tencent Technology Co., Ltd..	Kamcord		15 (1500)	0	merger and acquisition	information transmission, computer service and software	
Alibaba Group Holding Limited	Kamcord		1 (100)	0	merger and acquisition	information transmission, computer service and software	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	yes	comprehensive	horizontal	finished	cash	Japan	Asia	East Asia
state-owned	yes	real estate	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	yes	transportation, storage and post	horizontal	finished	cash	USA	North America	
state-owned	yes	mining	horizontal	finished	cash	Italy	Europe	Western Europe
private	yes	transportation, storage and post	horizontal	finished	cash	USA	North America	
private	Yes	information transmission, computer service and software	horizontal	finished	cash	Romania	Europe	Eastern Europe
private	yes	transportation, storage and post	horizontal	finished	cash	USA	North America	
state-owned	yes	mining	vertical	finished	cash	Malaysia	Asia	Southeast Asia
private	yes	information transmission, computer service and software	horizontal	finished	cash	Korea	Asia	East Asia
private	yes	information transmission, computer service and software	horizontal	finished	cash	Korea	Asia	East Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
September 2013							
China National Offshore Oil Corporation	Kingfisher field		2000 (200000)	85	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Power Construction Corporation of China			1650 (165000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
China Petrochemical Corporation			1400 (140000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Shandong Taishan Sunlight Group	Oldstone Investments Ltd.	Zimbabwe Gwayi coal and power integration Projects joint develop-ment coopera-tion agreement	1240 (124000)	0	merger and acquisition	mining	other, mining
Tianjin Material & Equipment Group Corporation	African Minerals Ltd.		990 (99000)	17	merger and acquisition	comprehensive	
China Power Investment Corporation	Enemalta plc		260 (26000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Anshan Iron and Steel Group Corporation	Gindalbie Metals Ltd		230 (23000)	12	merger and acquisition	manufacturing	ferrous metal smelting and calendaring industry
Shaanxi Yanchang Petroleum (Group) Corp., Ltd.	Novus Energy LLC		220 (22000)	100	merger and acquisition	mining	oil and gas exploitation industry
China National Machinery Industry Corporation , China Railway Group Limited	Yapilo		190 (19000)	75	merger and acquisition	manufacturing	electric appliances and instrument manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	Uganda	Africa	"Sub-Saharan Africa"
state-owned	Yes	mining	horizontal	finished	cash	Uganda	Africa	" Sub-Saharan Africa "
state-owned	yes	mining	horizontal	finished	cash	Venezuela	South America	
private	no	mining	horizontal	finished	cash	Zimbabwe	Africa	"Sub-Saharan Africa"
state-owned	no	manufacturing	horizontal	finished	cash	Sierra Leone	Africa	"Sub-Saharan Africa"
state-owned	yes	mining	horizontal	finished	asset	Malta	Europe	Southern Europe
state-owned	yes	manufacturing	horizontal	finished	cash	Australia	Oceania	
state-owned	no	mining	horizontal	finished	cash	Canada	North America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Bolivia	South America	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Sinochem Group			180 (18000)	0	merger and acquisition	manufacturing	chemical raw materials and chemical products manufacturing
China Communications Construction Co., Ltd.			140 (14000)	0	merger and acquisition	construction	
China Investment Corporation	Uralkali		2040 (204000)	13	merger and acquisition	financial	other financial activities
Guangzhou Dongsong Energy Group Co., Ltd.			560 (56000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Shenzhen Zhongjin Lingnan Nonfemet Company Limited	Perilya		110 (11000)	47	merger and acquisition	mining	nonferrous metal mining and selecting industry
China Communications Construction Co., Ltd.			100 (10000)	0	newly-established	construction	
China Petrochemical Corporation	Venezuela National Oil Company PDVSA	Orinoco heavy oil belt Junin 10 block	2252.6 (225260)	0	newly-established	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Fosun International, Ltd.	Raffaele Caruso SpA		0 0	35	merger and acquisition	comprehensive	
China Communications Construction Co., Ltd.	Saudi Aramco		390 (39000)	0	merger and acquisition	construction	
October 2013							
China Energy Engineering Group Co., Ltd.	Electroin-genieria S.A.		2820 (282000)	0	merger and acquisition	construction	other construction
China Petrochemical Corporation			1670 (167000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	Bangladesh	Asia	South Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Papau New Guinea	Africa	
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Russia	Europe	Eastern Europe
private	no	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Uganda	Africa	"Sub-Saharan Africa"
private	no	manufacturing	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	transportation, storage and post	vertical	finished	cash	Sri Lanka	Asia	South Asia
state-owned	yes	mining	vertical	finished	cash	Sierra Leone	Africa	"Sub-Saharan Africa"
private	yes	manufacturing	mixed	finished	cash	Germany	Europe	Western Europe
state-owned	yes	transportation, storage and post	vertical	finished	cash	Saudi Arabia	Asia	West Asia
state-owned	yes	mining	horizontal	finished	cash	Argentina	South America	
state-owned	yes	mining	horizontal	finished	cash	Cambodia	Asia	Southeast Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Communications Construction Co., Ltd.	Jakarta Monorail		1500 (150000)	0	merger and acquisition	construction	
China National Offshore Oil Corporation; China National Petroleum Corporation	Petrobras; Shell Oil Company; Total S.A.		1280 (128000)	10	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China Communications Construction Co., Ltd.	Daya Bumindo Karunia		1100 (110000)	70	merger and acquisition	construction	
Fosun International, Ltd.	JPMorgan Chase & Co.		730 (73000)	0	merger and acquisition	comprehensive	
China Construction Bank Corporation	Banco Industrial e Commercial S.A.		720 (72000)	74	merger and acquisition	construction	
Huawei Technologies Co., Ltd.			700 (70000)	0	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
Tebian Electric Apparatus Stock Co., Ltd.			690 (69000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
China Hongqiao Group Limited	Winning Investment (HK) Company Limited		600 (60000)	60	merger and acquisition	manufacturing	nonferrous metal smelting and calendaring industry
China Aerospace Science and Technology Corporation	Tupac Katari		300 (30000)	0	merger and acquisition	scientific research, technology service and geological survey	research and development activities
China State Construction Engineering Corporation	Manchester Airport Group; Carillion PLC		220 (22000)	20	merger and acquisition	construction	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	yes	mining	horizontal	finished	cash	Brazil	South America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
private	yes	real estate	horizontal	finished	cash	USA	North America	
state-owned	yes	financial	horizontal	finished	cash	Brazil	South America	
private	no	manufacturing	horizontal	finished	cash	Denmark	Europe	Western Europe
state-owned	yes	mining	horizontal	finished	cash	Tanzania	Africa	"撒哈拉以南非洲 Sub-Saharan Africa "
private	yes	manufacturing	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	Yes	manufacturing	horizontal	finished	cash	Bolivia	South America	
state-owned	yes	real estate	horizontal	finished	cash	UK	Europe	Western Europe

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Huawei Technologies Co., Ltd.			200 (20000)	0	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
China Petrochemical Corporation			150 (15000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Greenland Group	Forest City Ratner Companies Brooklyn Atlantic Square Estate Project		5000 (500000)	70	merger and acquisition	real estate	real estate
Zhejiang Lemei Industry and Trade Co., Ltd.			150 (15000)	0	merger and acquisition	manufacturing	general equipment manufacturing
Meisheng Culture & Creative Corp., Ltd.	Holland-Agenturen en Handelsmij Scheepers B.V		9.29 (929)	85	merger and acquisition	culture, sporting and entertainment	culture and art industry
China Fishery Group Limited	Copeinca ASA		820 (82000)	98	merger and acquisition	agriculture, forestry, animal husbandry and fishing	fishing industry
China National Offshore Oil Corporation	Total S.A.; Wintershall Holding GmbH		120 (12000)	10	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Alibaba Group Holding Limited	ShopRunner Inc.		110 (11000)	18	merger and acquisition	information transmission, computer service and software	computer service industry
China Three Gorges Corporation			240 (24000)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Meijing Group	Mooney Aviation Company, Inc.		100 (10000)	100	merger and acquisition	real estate	real estate

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	no	manufacturing	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	yes	mining	horizontal	finished	cash	Sao Tome	Africa	
private	no	real estate	horizontal	finished	cash	USA	North America	
private	no	comprehensive	horizontal	finished	cash	Tanzania	Africa	"Sub-Saharan Africa"
private	yes	culture, sporting and entertainment	horizontal	finished	cash	Holland	Europe	Western Europe
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Peru	South America	
state-owned	yes	mining	horizontal	finished	cash	Argentina	South America	
private	Yes	information transmission, computer service and software	horizontal	finished	cash	USA	North America	
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Ghana	Europe	"Sub-Saharan Africa"
private	no	transportation, storage and post	mixed	finished	cash	USA	North America	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China National Materials Group Corporation, Ltd.	Hazemag & EPR GmbH (Hazemag)		115.68 (11568)	59	merger and acquisition	manufacturing	general equipment manufacturing
Beijing Construction Engineering Group	Manchester Airport Group	Man-chester airport city project	18.49 (1849)	0	newly-established	construction	other construction
Hebei Sailhero Environmental Protection Hi-tech. Co., Ltd.	Cooper Environmental Services, LLC		6.23 (623)	60	merger and acquisition	irrigation, environment and infrastructure management	environment management industry
China Electric Equipment Corporation	Tunggal Prakarsa Tbk		120 (12000)	0	merger and acquisition	manufacturing	non-metal mineral product industry
China State Construction Engineering Corporation			120 (12000)	0	merger and acquisition	construction	
China Communications Construction Co., Ltd.			120 (12000)	0	merger and acquisition	construction	
Shanghai Pengxin Group Co., Ltd.	New Zealand Synlait Farms Dairy Company		70.8 (7080)	74	merger and acquisition	real estate	real estate
Shenhua Group Corporation Limited	Energy Corporation of America		0 (0)	0	merger and acquisition	mining	oil and gas exploitation industry
Hanergy Holding Group Limited	Columbia Solar Energy, LLC		0 (0)	100	merger and acquisition	manufacturing	general equipment manufacturing
Power Construction Corporation of China	Tanzania Electric Supply Company		400 (40000)	0	newly-established	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China National Materials Group Corporation, Ltd.	United Cement		260 (26000)	0	merger and acquisition	construction	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	manufacturing	horizontal	finished	cash	Equatorial Guinea	Africa	“Sub-Saharan Africa”
state-owned	yes	transportation, storage and post	vertical	finished	cash	Malaysia	Asia	Southeast Asia
private	yes	production and supply of power, gas and water	horizontal	finished	cash	USA	North America	
state-owned	Yes	real estate	horizontal	finished	cash	USA	North America	
state-owned	Yes	real estate	horizontal	finished	cash	New Zealand	Oceania	
state-owned	yes	transportation, storage and post	horizontal	finished	asset	UK	Europe	Western Europe
private	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	stock right	USA	North America	
private	no	mining	horizontal	finished	cash	USA	North America	
private	yes	manufacturing	horizontal	finished	asset	Ghana	Africa	“Sub-Saharan Africa”
state-owned	yes	mining	vertical	finished	cash	Tajikistan	Asia	Central Asia
state-owned	Yes	real estate	vertical	finished	cash	Nigeria	Africa	“Sub-Saharan Africa”

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
November 2013							
China National Petroleum Corporation	Brazil Oil Peru Oil Gas Asset Company		2600 (260000)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China National Petroleum Corporation	ExxonMobil Corp.		1250 (125000)	25	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China Railway Construction Corporation Co., Ltd.			1070 (107000)	0	merger and acquisition	transportation, storage and post	railway industry
Greenland Group			980 (98000)	0	merger and acquisition	real estate	real estate
China National Machinery Industry Corporation			720 (72000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China Communications Construction Co., Ltd.			300 (30000)	0	newly-established	construction	
China National Machinery Industry Corporation			290 (29000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China National Machinery Industry Corporation			270 (27000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China National Machinery Industry Corporation	Kar Group		240 (24000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China Communications Construction Co., Ltd.			150 (15000)	0	merger and acquisition	construction	
China Investment Corporation	West London Chiswick Park		1200 (120000)	100	merger and acquisition	financial	other financial activities

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	Peru	South America	
state-owned	Yes	mining	horizontal	finished	cash	Iraq	Asia	West Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Nigeria	Africa	"Sub-Saharan Africa"
private	no	real estate	horizontal	finished	cash	Korea	Asia	East Asia
state-owned	yes	mining	horizontal	finished	cash	Serbia	Europe	Eastern Europe
state-owned	yes	transportation, storage and post	vertical	finished	asset	Namibia	Africa	"Sub-Saharan Africa"
state-owned	yes	real estate	horizontal	finished	cash	Kenya	Africa	"Sub-Saharan Africa"
state-owned	yes	real estate	horizontal	finished	cash	Jordan	Asia	West Asia
state-owned	Yes	real estate	horizontal	finished	cash	Iraq	Asia	West Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Indonesia	Asia	Southeast Asia
state-owned	yes	financial	horizontal	finished	cash	UK	Europe	Western Europe

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China International Marine Containers (Group), Ltd.	total assets of Albert Ziegler GmbH & Co. KG		61.6 (6160)	100	merger and acquisition	transportation, storage and post	unloading, carry and other transport service industry
Shanghai Zendai Property Limited	Associated Electric Cooperative, Inc.		100 (10000)	0	merger and acquisition	real estate	real estate
China Construction Bank Corporation	Brazil Industrial and Commercial Bank		537 (53700)	72	merger and acquisition	financial	banking industry
CTBC Financial Holding Co., Ltd.	Tokyo Star Bank, Ltd.		436.8 (43680)	98.16	merger and acquisition	financial	other financial activities
Legend Holdings Ltd.		St. Paul research center	100 (10000)	0	newly-established	information transmission, computer service and software	computer service industry
Sichuan Xinglida Group		Marriott Hotel in City of Torrance in L.A.	47 (4700)	100	newly-established	real estate	real estate
Qinghai Huzhu Qingke (Highland Barley) Liquor Co., Ltd.	Sundown Ranch LLC		15 (1500)	0	merger and acquisition	manufacturing	beverage manufacturing
China National Machinery Industry Corporation			230 (23000)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Donghui Group	Inova Resources Limited		126 (12600)	100	merger and acquisition	mining	coalmining and washing industry
China Shipping (Group) Company	Albert Ziegler Group's parent firm Albert Ziegler GmbH & Co. KG		61.6 (6160)	100	merger and acquisition	transportation, storage and post	water transportation industry
CRED Holding Co., Ltd.	Carrington Resort at the north of New Zealand		0 (0)	100	merger and acquisition	real estate	real estate

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Germany	Europe	Western Europe
private	no	real estate	horizontal	finished	cash	South Africa	Africa	"Sub-Saharan Africa"
state-owned	yes	financial	horizontal	finished	cash	Costa Rica	North America	
state-owned	yes	financial	horizontal	finished	cash	Mozam-bique	Africa	"Sub-Saharan Africa"
state-owned	yes	information transmission, computer service and software	vertical	finished	cash	Sri Lanka	Asia	South Asia
private	yes	real estate	vertical	finished	cash	Russia	Europe	Eastern Europe
private	no	manufacturing	horizontal	finished	cash	Sri Lanka	Asia	South Asia
state-owned	yes	agriculture, forestry, animal husbandry and fishing	horizontal	finished	cash	Venezuela	South America	
private	Yes	mining	horizontal	finished	cash	USA	North America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	USA	North America	
state-owned	yes	real estate	horizontal	finished	asset	USA	North America	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Petrochemical Corporation	Apache Corporation		0 (0)	0	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China Railway Engineering Equipment Group Co., Ltd.	German Aker Wirth Corp.	intellectual property related to a hard rock mole and shaft drilling machine	0 (0)	0	newly-established	manufacturing	specific device manufacturing
China General Nuclear Power Corporation	Romania National Nuclear Power Corporation		0 (0)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
China National Petroleum Corporation	Exxon Mobil Corporation		0 (0)	25	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China National Machinery Industry Corporation; Hunan Construction Engineering Group			430 (43000)	0	newly-established	construction	
December 2013							
China National Nuclear Corporation			6500 (650000)	0	merger and acquisition	production and supply of power, gas and water industry	production and supply of power and heat industry
R&F Properties			1370 (137000)	0	merger and acquisition	real estate	real estate
China Railway Construction Corporation Co., Ltd.			1180 (118000)	0	merger and acquisition	transportation, storage and post	railway industry
Aviation Industry Corporation of China	KHD Humboldt Wedag International AG		260 (26000)	59	merger and acquisition	scientific research, technology service and geological survey	research and development activities
Zhejiang Keer Import and Export Co., Ltd.			220 (22000)	0	merger and acquisition	manufacturing	textile industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	finished	cash	British Virgin Islands	North America	
state-owned	yes	manufacturing	vertical	finished	cash	Sweden	Europe	Northern Europe
state-owned	yes	production and supply of power, gas and water industry	horizontal	finished	cash	Austria	Europe	Central Europe
state-owned	yes	mining	horizontal	finished	cash	Germany	Europe	Western Europe
state-owned	yes	transportation, storage and post	vertical	finished	cash	Sri Lanka	Asia	South Asia
state-owned	yes	mining	horizontal	finished	cash	Pakistan	Asia	South Asia
private	yes	real estate	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Algeria	Africa	North Africa
state-owned	Yes	real estate	horizontal	finished	cash	Germany	Europe	Western Europe
private	no	comprehensive	horizontal	finished	cash	USA	North America	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
CITIC Limited	Siam Cement Public Company Limited		200 (20000)	0	merger and acquisition	financial	other financial activities
China Oceanwide Holdings Group			190 (19000)	0	merger and acquisition	comprehensive	
Hazens Real Estate Group Co.			100 (10000)	0	merger and acquisition	real estate	real estate
China International Marine Containers (Group), Ltd.	Bassoe Technology AB Sweden (BTAB)		1249 (124900)	90	merger and acquisition	transportation, storage and post	
China Railway Construction Corporation Co., Ltd.			1190 (119000)	0	newly-established	transportation, storage and post	pipeline transport industry
Fosun International, Ltd.		OneChase Manhattan Plaza	725 (72500)	100	newly-established	comprehensive	
China Southern Power Grid Co., Ltd.	Laos power company	Nam Tha #1 Hydro-power Station	400 (40000)	80	newly-established	production and supply of power, gas and water	production and supply of power and heat industry
Shenzhen Hepalink Pharmaceutical Co., Ltd.	Scientific Protein Laboratories, LLC		337 (33700)	100	merger and acquisition	manufacturing	medicine manufacturing
Henan Aviation Development & Investment Co., Ltd.	Luxembourg International Cargo Airline		220 (22000)	35	merger and acquisition	manufacturing	transportation equipment manufacturing
Sany Heavy Industry Co., Ltd.	Palfinger AG		120 (12000)	10	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China International Marine Containers (Group), Ltd.	Albeit Ziegler KG		61.38 (6138)	0	merger and acquisition	transportation, storage and post	water transportation industry
China State Construction Engineering Corporation	Plaza Construction Company		44.4 (4440)	93	merger and acquisition	construction	
Qihu 360 Software Co., Ltd.	Psafe		25 (2500)	0	merger and acquisition	information transmission, computer service and software	computer service industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	real estate	horizontal	finished	cash	Burma	Asia	South Asia
private	yes	real estate	horizontal	finished	cash	USA	North America	
private	no	real estate	horizontal	finished	cash	USA	North America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	USA	North America	
state-owned	yes	transportation, storage and post	vertical	finished	cash	Sierra Leone	Africa	"Sub-Saharan Africa"
private	yes	real estate	vertical	finished	cash	Poland	Europe	Eastern Europe
state-owned	yes	production and supply of power, gas and water	vertical	finished	cash	Namibia	Africa	"Sub-Saharan Africa"
private	yes	manufacturing	horizontal	finished	cash	Pakistan	Asia	South Asia
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Canada	Europe	
state-owned	yes	manufacturing	horizontal	finished	cash	UK	Europe	Western Europe
state-owned	yes	manufacturing	horizontal	finished	cash	Zambia	Africa	"Sub-Saharan Africa"
state-owned	yes	construction	horizontal	finished	cash	Russia	Europe	Eastern Europe
private	yes	information transmission, computer service and software	horizontal	finished	cash	Indonesia	Asia	Southeast Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
New World China Land Limited	PHHL Group		15 (1500)	0	merger and acquisition	real estate	lodging industry
China Communications Construction Co., Ltd.			100 (10000)	0	merger and acquisition	construction	
China Communications Construction Co., Ltd.			100 (10000)	0	merger and acquisition	construction	
Meijing Group	Mooney Aviation Company, Inc.		100 (10000)	100	merger and acquisition	real estate	real estate
Shanghai Zendai Property Limited	Associated Electric Cooperative, Inc.		100 (10000)	0	merger and acquisition	real estate	real estate
Hazens Real Estate Group Co.			100 (10000)	0	merger and acquisition	real estate	real estate
Shenhua Group Corporation Limited	Energy Corporation of America	shale gas project	90 (9000)	0	merger and acquisition	financial	other financial activities
Qihu 360 Software Co., Ltd.	Klab America		4.9 (490)	3	merger and acquisition	information transmission, computer service and software	computer service industry
Zoomlion Heavy Industry Science & Technology Development Co., Ltd.	M-TEC		0 (0)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Solargiga Energy Holdings Limited	Ghana bush area development department	200MW PV power station	0 (0)	90	newly-established	manufacturing	specific device manufacturing
Astronergy		Conergy photo-voltaic sub-assembly	0 (0)	0	merger and acquisition	manufacturing	general equipment manufacturing
Meidu Holding	Woodbine Acquisition LLC		0 (0)	100	merger and acquisition	financial	other financial activities

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	No	lodging and catering	horizontal	finished	cash	USA	North America	
state-owned	yes	transportation, storage and post	horizontal	finished	stock right	Brazil	South America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	New Zealand	Oceania	
private	no	transportation, storage and post	horizontal	finished	stock right	USA	North America	
private	yes	real estate	horizontal	finished	cash	Brazil	South America	
private	no	real estate	horizontal	finished	stock right	Australia	Oceania	
private	no	mining	vertical	finished	cash	Germany	Europe	Western Europe
private	yes	information transmission, computer service and software	horizontal	finished	stock right	USA	North America	
private	yes	manufacturing	horizontal	finished	cash	USA	North America	
private	yes	manufacturing	vertical	finished	cash	Brazil	South America	
private	yes	manufacturing	horizontal	finished	cash	Zambia	Africa	"Sub-Saharan Africa"
private	yes	financial	horizontal	finished	stock right	Kazakhstan	Asia	Central Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Jiangxi Nonferrous Metals Geological Exploration Bureau		Zambia mineral rights project	0 (0)	75	newly-established	scientific research, technology service and geological survey	geological survey industry
Zhenghe Group	Mateng Oil Holdings Co., Ltd		0 (0)	95	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Greenland Group	two lots near Melbourne racetrack		0 (0)	0	merger and acquisition	real estate	real estate
China Three Gorges Corporation	Jari		250 (25000)	50	merger and acquisition	construction	
China National Machinery Industry Corporation	Boska		190 (19000)	0	merger and acquisition	construction	
Tencent Technology Co., Ltd..	RunWilder		0 (0)	0	merger and acquisition	information transmission, computer service and software	
Tencent Technology Co., Ltd..	KakaoTalk		403 (40300)	13	merger and acquisition	information transmission, computer service and software	
Tencent Technology Co., Ltd..	Activision Blizzard, Inc.		1400 (140000)	6	merger and acquisition	information transmission, computer service and software	
January 2014							
LightInTheBox Holding Co., Ltd.	Ador Corporation		0 (0)	0	merger and acquisition	information transmission, computer service and software	tele-communications and other information transmission service industry
Fuyao Group		auto-mobile glass factory	0 (0)	0	newly-established	manufacturing	non-metal mineral product industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	vertical	finished	stock right	Luxem-bourg	Europe	Western Europe
state-owned	yes	mining	horizontal	finished	cash	Australia	Oceania	
private	yes	real estate	horizontal	finished	cash	Japan	Asia	East Asia
state-owned	yes	production and supply of power, gas and water	vertical	finished	cash	Brazil	South America	
state-owned	yes	mining	vertical	finished	cash	Poland	Europe	Eastern Europe
private	yes	information transmission, computer service and software	horizontal	finished	cash	USA	North America	
private	yes	information transmission, computer service and software	horizontal	finished	cash	Korea	Asia	East Asia
private	yes	information transmission, computer service and software	horizontal	finished	cash	USA	North America	
private	yes	information transmission, computer service and software	horizontal	finished	cash	USA	North America	
private	Yes	manufacturing	vertical	ongoing	asset	USA	North America	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Wanxiang Group	" Fisker Automotive, Inc."	Fisker Auto-motive, Inc.	24.72 (2472)	100	merger and acquisition	manufacturing	transportation equipment manufacturing
Loncin Motor Co., Ltd.	AMINO Motorcycle Corporation	Loncin Motor Co., Ltd. (Egypt)	4 (400)	51	merger and acquisition	manufacturing	transportation equipment manufacturing
LightInTheBox Holding Co., Ltd.	Ador Corporation	Ador Corpora-tion	0 (0)	0	merger and acquisition	wholesale and retail	wholesale industry
Greenland Group	UK Ram Brewery housing project	UK Ram Brewery housing project	900 (90000)	100	merger and acquisition	real estate	real estate
Macrolink Real estate	Ibiza Development (Johor) Sdn. Bhd.	lease contract for nine lots in Malaysia Johor Mettini B area	48.38 (4838)	100		real estate	real estate
Macrolink Real estate	Black Stone Resort Corporation (Korea)	Korea Jinxiu Mountain Villa Corpora-tion	32.25 (3225)	90	merger and acquisition	real estate	real estate
Goubuli	Gloria Jean's Coffees		0 (0)	0	merger and acquisition	lodging and catering	catering industry
China Environmental Energy Holdings Co., Ltd.	United States Oil and Gas Corp		0 (0)	0	merger and acquisition	mining	oil and gas exploitation industry
CSR Corporation Limited	"Germany ZF Services (China) Co., Ltd."	business unit of metal rubber production under ZF	53.75 (5375)	100	merger and acquisition	manufacturing	transportation equipment manufacturing
China Minmetals Corporation	Glencore Xstrata Corporation plc	Peru Las Bambas copper ore	5000 (500000)	0	merger and acquisition	mining	nonferrous metal mining and selecting industry
China Kingho Group	Carabella Resources Ltd (CLR)	Carabella Resources Ltd (CLR)	0 (0)	50	merger and acquisition	mining	coalmining and washing industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	Yes	manufacturing	horizontal	ongoing	cash	USA	North America	
private	Yes	transportation, storage and post	horizontal	ongoing	cash	Egypt	Africa	North Africa
private	Yes	leasing and business service industry	horizontal	finished	cash	USA	North America	
state-owned	yes	manufacturing	vertical	finished	cash	UK	Europe	Western Europe
private	yes	real estate	vertical	finished	cash	Malaysia	Asia	Southeast Asia
private	yes	lodging and catering	vertical	finished	cash	Korea	Asia	East Asia
state-owned	no	transportation, storage and post	horizontal	ongoing	cash	USA	North America	
private	yes	mining	horizontal	ongoing	cash	USA	North America	
state-owned	yes	transportation, storage and post	horizontal	finished	cash	Germany	Europe	Western Europe
state-owned	yes	mining	horizontal	ongoing	cash	Peru	South America	
private	yes	mining	horizontal	ongoing	cash	Australia	Oceania	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Shaanxi Yanchang Petroleum (Group) Corp., Ltd.	Canada Novus Energy Inc	Canada Novus Energy Inc.	184.81 (18481)	0	merger and acquisition	mining	oil and gas exploitation industry
China Huadian Engineering Co., Ltd.	Canada gas project	"minority stock rights of gas asset "	0 (0)	0	merger and acquisition	mining	oil and gas exploitation industry
Fu Wah International Group	Melbourne Park Hyatt Hotel	Melbourne Park Hyatt Hotel	135 (13500)	0	merger and acquisition	lodging and catering	lodging industry
Century	Chile Commercial GL Group S.A.	"Chile Commercial GL Group S.A"	14.28 (1428)	51	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
Legend Holdings Ltd.	IBM	IBM X86 server hardware and related service main-tenance business	2300 (230000)	0	merger and acquisition	information transmission, computer service and software	computer service industry
China Mobile, Ltd.	Vodafone	VODAFONE GROUP	0 (0)	0	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
Shenzhen Hepalink Pharmaceutical Co., Ltd.	SPL Acquisition Corp	"SPL"	337.5 (33750)	100	merger and acquisition	manufacturing	medicine manufacturing
PetroChina Company Limited	Novatek Inc.	20% share of Russian Yamal LNG project	0 (0)	20	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Henan Civil Aviation Development & Investment Co., Ltd.	Luxembourg air cargo operator		0 (0)	35	merger and acquisition	transportation, storage and post	air-transport industry
HNA Group Co., Ltd.	The Club of Rome	The Italian Series A Club of Rome	47.14 (4714)	20	merger and acquisition	transportation, storage and post	air-transport industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	horizontal	ongoing	cash	Canada	North America	
state-owned	yes	mining	horizontal	ongoing	stock right	Canada	North America	
private	Yes	lodging and catering	horizontal	finished	cash	Australia	Oceania	
state-owned	yes	manufacturing	horizontal	finished	cash	Chile	South America	
state-owned	yes	information transmission, computer service and software	horizontal	ongoing	cash	USA	North America	
state-owned	yes	communication equipment, computer and other electronic equipment manufacturing	horizontal	ongoing	cash	UK	Europe	Western Europe
state-owned	yes	manufacturing	horizontal	ongoing	cash	USA	North America	
state-owned	yes	mining	horizontal	ongoing	cash	Russia	Europe	Eastern Europe
state-owned	no	transportation, storage and post	horizontal	ongoing	cash	Luxembourg	Europe	Western Europe
private	Yes	transportation, storage and post	horizontal	ongoing	cash	Italy	Europe	Western Europe

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Industrial and Commercial Bank of China	The Standard Bank of South Africa	global market business depart-ment in the Standard Bank of South Africa	765 (76500)	60	merger and acquisition	financial	banking industry
February 2014							
Fosun International, Ltd.	Caixa Segurose Saúde,SGPS, S.A.		1075.46 (107546)	80	merger and acquisition	financial	other financial activities
China Huaneng Group	Hydropower Lower Sesan 2 Co.,Ltd		0 (0)	51	merger and acquisition	production and supply of power, gas and water	production and supply of water industry
Shandong Linglong Tire Co., Ltd.		high perform-ance radial tires project	0 (0)	100	newly-established	manufacturing	rubber product industry
Shandong O'Green Group		semisteel radial tires and all-steel radial tire project	0 (0)	100	newly-established	manufacturing	rubber product industry
Byd Company Limited		establish factory in Brazil	100 (10000)	0	newly-established	manufacturing	transportation equipment manufacturing
Liaoning Censcience Industry Co., Ltd.	Caterpillar Tunneling Canada Corp.	Caterpillar Tunneling Canada Corp.	0 (0)	0	merger and acquisition	manufacturing	specific device manufacturing
Hong Kong Chow Tai Fook Elder Support Investment Group Corporation	Pearl Dubai FZ LLC		1900 (190000)	0	merger and acquisition	resident service and other service	resident service industry
Zhenfa Chongqing Overseas Investment Co., Ltd.		Australia Canberra red gum photo-voltaic park project	32 (3200)	0	newly-established	financial	other financial activities

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	financial	horizontal	ongoing	cash	South Africa	Africa	"Sub-Saharan Africa"
private	yes	financial	mixed	ongoing	stock right	Portugal	Europe	Western Europe
state-owned	no	production and supply of power, gas and water	vertical	finished	stock right	Cambodia	Asia	Southeast Asia
private	no	manufacturing	vertical	ongoing	asset	Thailand	Asia	Southeast Asia
private	no	manufacturing	vertical	ongoing	asset	Indonesia	Asia	Southeast Asia
private	yes	transportation, storage and post	vertical	ongoing	asset	Brazil	South America	
private	yes	manufacturing	horizontal	finished	asset	Canada	North America	
private	no	real estate	horizontal	ongoing	cash	UAE	Asia	Central Asia
private	No	production and supply of power, gas and water	mixed	ongoing	cash	Australia	Oceania	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Beijing Automotive Industry Group Co., Ltd.	USA Atieva Corporation	USA Atieva Corporation	0 (0)	25	merger and acquisition	manufacturing	transportation equipment manufacturing
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	Chindex Medical Limited		369 (36900)	0	merger and acquisition	manufacturing	medicine manufacturing
Shangtex Holding Co., Ltd.	Denmark Metropol Group	Denmark Metropol Group	0 (0)	50	merger and acquisition	manufacturing	textile industry
Greenland Group	Parking lot near 110 highway and parking lot in the north of the 9th road in USA	parking lot near 110 highway and parking lot in the north of the 9th road in USA	150 (15000)	0	merger and acquisition	real estate	real estate
Goldleaf Jewelry		oil field project in USA	0 (0)	0	merger and acquisition	wholesale and retail	wholesale industry
Xiaoyi Dongxing Co., Ltd.		Brazil Realeza copper ore production project	23.81 (2381)	0	merger and acquisition	mining	coalmining and washing industry
State Grid Corporation of China	"Brazil Beautiful Mountain Hydropower Station "	Brazil Beautiful Mountain Hydropower Station Transmission Project	0 (0)	0	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Disen Holdings		invest in Nepali biomass power generation project	50 (5000)	100	newly-established	production and supply of power, gas and water	production and supply of power and heat industry
Taiwan Photovoltaic Corporation Zhongmeijing Group	related brands and most of the assets of Aleo Solar AG of German Bosch	related brands and most of the asset of Aleo Solar AG of German Bosch	150 (15000)	0	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	transportation, storage and post	horizontal	ongoing	cash	USA	North America	
state-owned	yes	manufacturing	horizontal	ongoing	cash	USA	North America	
private	yes	manufacturing	horizontal	ongoing	cash	Denmark	Europe	Western Europe
state-owned	yes	real estate	horizontal	ongoing	cash	USA	North America	
private	Yes	mining	mixed	ongoing	cash	USA	North America	
private	no	mining	horizontal	ongoing	cash	Brazil	South America	
state-owned	yes	production and supply of power, gas and water	horizontal	ongoing	cash	Brazil	South America	
private	yes	production and supply of power, gas and water	horizontal	ongoing	cash	Nepal	Asia	South Asia
private	yes	manufacturing	horizontal	ongoing	cash	Germany	Europe	Western Europe

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Three Gorges Corporation		an important hydro-power station in Brazil	296.78 (29678)	30	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
Shanghai Zhenhua Heavy Industry Co., Ltd.	Sietas Shipyard in Hamburg of Germany		0 (0)	0	merger and acquisition	manufacturing	transportation equipment manufacturing
Suning Global Group		Australian lot	0 (0)	100	merger and acquisition	comprehensive	
China Huaxin Post & Telecommunication Economy Development Center	Alcatel-Lucent SA	Alcatel-Lucent SA	300 (30000)	85	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
Chongqing Lifan Holdings Co., Ltd.		new factory in Iraq	0 (0)	100	newly-established	manufacturing	transportation equipment manufacturing
Hong Kong Chow Tai Fook Group	Pearl Dubai FZ LLC	Pearl Dubai develop-ment project	1900 (190000)	0	merger and acquisition	wholesale and retail	wholesale industry
HNA Group Co., Ltd.	Spain (NHH. MC)	5.5% share of Spain (NHH. MC)	50 (5000)	20	merger and acquisition	transportation, storage and post	air-transport industry
Bright Food (Group) Co., Ltd.	Tunva	Tunva (Israeli food producer)	2156 (215600)	100	merger and acquisition	manufacturing	food manufacturing
Yantai Jereh Oilfield Services Group Co., Ltd.	West Mountain Capital Corp.	West Mountain Capital Corp.	700 (70000)	0	merger and acquisition	financial	securities industry
Jianghai Securities	VOLTA Corporation	VOLTA Corpora-tion	200 (20000)	8	merger and acquisition	financial	securities industry
Agile Property Holdings, Ltd.	newly-established joint venture Agile PJD Development in Malaysia	lot in Kuala Lumpur, Malaysia	300 (30000)	70	merger and acquisition	real estate	real estate

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	Yes	production and supply of power, gas and water	horizontal	finished	stock right	Brazil	South America	
state-owned	yes	transportation, storage and post	vertical	ongoing	asset	Germany	Europe	Western Europe
private	yes	real estate	mixed	ongoing	asset	Australia	Oceania	
state-owned	yes	communication equipment, computer and other electronic equipment manufacturing	horizontal	ongoing	cash	France	Europe	Western Europe
private	yes	transportation, storage and post	vertical	ongoing	asset	Iraq	Asia	West Asia
private	yes	real estate	horizontal	ongoing	cash	UAE	Asia	West Asia
private	yes	lodging and catering	horizontal	ongoing	cash	Spain	Europe	Western Europe
private	yes	manufacturing	horizontal	ongoing	cash	Israel	Asia	West Asia
private	yes	financial	horizontal	ongoing	cash	USA	North America	
private	Yes	financial	horizontal	ongoing	cash	Cayman Islands	South America	
private	Yes	real estate	horizontal	ongoing	cash	Malaysia	Asia	Southeast Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Hareon Solar Corporation	UK Brilliant Harvest 003 Limited	UK Brilliant Harvest 003 Limited	1821 (182100)	100	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
"Aland (Jiangsu) Nutraceutical Co., Ltd."	USA Vitamin Group Corporation		0 (0)	100	merger and acquisition	manufacturing	medicine manufacturing
Chongqing Kangde Industrial (Group) Co., Ltd.	Barcelona Santiago Hotel		66 (6600)	100	merger and acquisition	real estate	real estate
Zhenghe Group	Mateng Oil Holdings Co., Ltd		483.9 (48390)	0	merger and acquisition	real estate	real estate
Titan Wind Energy	GARDIT and Anparts-selskabet	GARDIT and Anparts-selskabet	442.5 (44250)	0	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
March 2014							
Zhenghe Group	Mateng Oil Holdings Co., Ltd		0 (0)	95	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Dongfeng Holdings	PSA Group	PSA Group	1090 (109000)	14	merger and acquisition	manufacturing	transportation equipment manufacturing
China National Petroleum Corporation	Russian Oil Company	Eastern Petro-chemical, the far east subsidiary company of Russian Oil Company	0 (0)	30	merger and acquisition	mining	oil and gas exploitation industry
Xiaoyi Dongxing Co.,Ltd	Brazil Realeza copper ore production project	Brazil Realeza copper ore production project	2381 (238100)	0	merger and acquisition	mining	nonferrous metal mining and selecting industry
Fosun International, Ltd.	BHF		104.33 (10433)	0	merger and acquisition	comprehensive	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	yes	manufacturing	horizontal	finished	cash	UK	Europe	Western Europe
private	no	manufacturing	horizontal	ongoing	cash	USA	North America	
private	No	lodging and catering	horizontal	ongoing	cash	Spain	Europe	Western Europe
private	Yes	mining	mixed	ongoing	cash	Kazakhstan	Asia	Central Asia
private	yes	manufacturing	horizontal	ongoing	cash	Denmark	Europe	Western Europe
private	yes	mining	vertical	ongoing	cash	Kazakhstan	Asia	Central Asia
state-owned	yes	transportation, storage and post	horizontal	ongoing	cash	France	Europe	Western Europe
state-owned	yes	mining	horizontal	ongoing	stock right	Russia	Europe	Eastern Europe
private	no	mining	horizontal	ongoing	cash	Brazil	South America	
private	yes	financial	horizontal	ongoing	cash	Germany	Europe	Western Europe

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Tencent Technology Co., Ltd.	CJ Games		500 (50000)	0	merger and acquisition	information transmission, computer service and software	tele-communications and other information transmission service industry
Power Construction Corporation of China		Angola 5 million tonnes/ year crude oil processing project thermo-electricity power station 4×15 megawatt project EPC general contractor project	0 (0)	0	newly-established	construction	
Keer Group		overseas factory in South Carolina	0 (0)	0	newly-established	manufacturing	textile industry
Wanxiang Group	Fisker		149.2 (14920)	100	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Anshan Iron and Steel Group Corporation	Australia Gindalbie Metals		45.5 (4550)	2	merger and acquisition	manufacturing	ferrous metal smelting and calendering manufacturing
Legend Holdings Ltd.	Unwired Planet	patent portfolios authoriza-tion	100 (10000)	0	merger and acquisition	information transmission, computer service and software	computer service industry
Alibaba Group Holding Limited	TangoMe, Inc.		280 (28000)	0	merger and acquisition	information transmission, computer service and software	tele-communications and other information transmission service industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	yes	resident service and other service	horizontal	finished	cash	Korea	Asia	East Asia
state-owned	yes	mining	vertical	ongoing	cash	Angola	Africa	
private	no	manufacturing	vertical	ongoing	cash	USA	North America	
private	yes	manufacturing	horizontal	finished	cash	USA	North America	
state-owned	yes	mining	vertical	finished	cash	Australia	Oceania	
state-owned	yes	mining	horizontal	finished	cash	USA	North America	
private	yes	information transmission, computer service and software	horizontal	finished	cash	USA	North America	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Fuyao Group		second production base established overseas	200 (20000)	100	newly-established	manufacturing	non-metal mineral product industry
Greenland Group		one lot of Canary Wharf financial area in London	883.14 (88314)	100	merger and acquisition	real estate	real estate
Beijing Construction Engineering Group		construction and development of a 116 hectare new business area in Manchester	0 (0)	0	newly-established	construction	building and civil engineering construction
China Kingho Group		certificate of mining right in Sierra Leone oversize iron ore	0 (0)	0	newly-established	mining	
Tencent Technology Co., Ltd..	Whisper		30 (3000)	0	merger and acquisition	information transmission, computer service and software	tele-communications and other information transmission service industry
Shanxi Sequoia Pharmaceutical Co., Ltd.	USA Cardiome Bio-pharmaceutical Corporation		0 (0)	0	merger and acquisition	manufacturing	medicine manufacturing
Shanghai Xian Dai Architectural Design Group	Wilson Associates		0 (0)	100	merger and acquisition	leasing and business service industry	business service industry
Zhejiang Geely Holding Group	Emerald Automotive		0 (0)	0	merger and acquisition	manufacturing	transportation equipment manufacturing
China Gezhouba Group Corporation		coal-fired power plant	0 (0)	0	newly-established	construction	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	yes	manufacturing	vertical	ongoing	cash	USA	North America	
private	Yes	real estate	horizontal	ongoing	cash	UK	Europe	Western Europe
state-owned	yes	real estate	horizontal	ongoing	cash	UK	Europe	Western Europe
private	no	mining	vertical	ongoing	cash	Sierra Leone	Africa	"Sub-Saharan Africa"
private	yes	information transmission, computer service and software	horizontal	ongoing	cash	USA	North America	
private	no	manufacturing	horizontal	ongoing	cash	USA	North America	
private	no	leasing and business service industry	horizontal	ongoing	cash	USA	North America	
private	yes	transportation, storage and post	horizontal	ongoing	cash	UK	Europe	Western Europe
state-owned	Yes	production and supply of power, gas and water	vertical	finished	asset	Pakistan	Asia	South Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
China Civil Engineering Construction Corporation	(WAPDA) Pakistan Hydroelectric Development Bureau	part of Karakoram Highway relocation project	143.28 (14328)	0	newly-established	construction	
China Civil Engineering Construction Corporation	(WAPDA) Pakistan Hydroelectric Development Bureau	road at the right bank of Indus River	26.65 (2665)	0	newly-established	construction	
China Oil & Foodstuffs Corporation, Ltd.	Nidera		0 (0)	51	merger and acquisition	manufacturing	food manufacturing
April 2014							
China Oil & Foodstuffs Corporation, Ltd.	Noble Group		0 (0)	51	merger and acquisition	manufacturing	food manufacturing
China Shipping (Group) Company		establish South America Holdings Limited	0 (0)	0	newly-established	transportation, storage and post	water transportation industry
China National Petroleum Corporation		oil production agreement	0 (0)	0	newly-established	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Zhongding Holding (Group) Co., Ltd.	Germany KACO		80 (8000)	80	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
China National Petroleum Corporation	Petrobras	one gas field	1390 (139000)	100	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Rongshi International Holding Company, Ltd.		subsidiary company of ABC Group fuel system	0 (0)	100	merger and acquisition	financial	
Changchun Railway Vehicles Co., Ltd.		build track traffic factory	0 (0)	100	newly-established	manufacturing	transportation equipment manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	production and supply of power, gas and water	vertical	finished	asset	Pakistan	Asia	South Asia
state-owned	yes	production and supply of power, gas and water	vertical	finished	asset	Pakistan	Asia	South Asia
state-owned	yes	manufacturing	horizontal	ongoing	cash	Holland	Europe	Western Europe
state-owned	yes	manufacturing	horizontal	ongoing	cash	Singapore	Asia	Southeast Asia
state-owned	yes	transportation, storage and post	vertical	ongoing	asset	Brazil	South America	
state-owned	yes	mining	vertical	finished	cash	UAE	Asia	Central Asia
state-owned	yes	transportation, storage and post	horizontal	ongoing	cash	Germany	Europe	Western Europe
state-owned	yes	mining	vertical	ongoing	cash	Brazil	South America	
state-owned	no	manufacturing	mixed	ongoing	cash	Canada	North America	
state-owned	yes	transportation, storage and post	vertical	ongoing	cash	USA	North America	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Zijin Mining Group Co., Ltd.	Bullabulling Gold, Ltd.		22.6 (2260)	100	merger and acquisition	manufacturing	nonferrous metal smelting and calendaring industry
China National Petroleum Corporation		Canada oil sands project	1200 (120000)	40	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
China Minmetals Corporation		Las Bambas copper ore project	5850 (585000)	100	merger and acquisition	manufacturing	nonferrous metal smelting and calendaring industry
Power Construction Corporation of China		construc-tion contract of 1st Bid and 2nd Bid in Bolivia Yiqiluo Road	104 (10400)	100	newly-established	construction	building and civil engineering construction
Zhenghe Group	MTA Securities and Investment Limited	North Caspian Petroleum JSC	37.5 (3750)	75	merger and acquisition	comprehensive	
Shandong Qixing Iron Tower Co., Ltd.	Stonewall Resources Ltd		140 (14000)	100	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Greenland Group		real estate project develop-ment in two lots of Sydney, Australia	0 (0)	100	merger and acquisition	real estate	real estate
Guodian Technology & Environment Group Corporation, Ltd.			0 (0)	100	newly-established	production and supply of power, gas and water	production and supply of power and heat industry
China Anhui Jianghuai Automobile Co., Ltd.		new factory in Brazil	600 (60000)	100	newly-established	manufacturing	transportation equipment manufacturing
Cenbest	House of Fraser		249.14 (24914)	89	merger and acquisition	transportation, storage and post	wholesale industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	vertical	ongoing	cash	Australia	Oceania	
state-owned	yes	mining	vertical	ongoing	cash	Canada	North America	
state-owned	yes	mining	vertical	ongoing	cash	Peru	South America	
state-owned	yes	construction	vertical	ongoing	cash	Bolivia	South America	
private	no	mining	mixed	ongoing	cash	Kazakhstan	Asia	Central Asia
private	yes	mining	horizontal	ongoing	cash	Australia	Oceania	
private	Yes	real estate	horizontal	ongoing	cash	Australia	Oceania	
state-owned	yes	production and supply of power, gas and water	horizontal	ongoing	cash	Turkey	Asia	West Asia
state-owned	yes	production and supply of power, gas and water industry	vertical	ongoing	cash	Brazil	South America	
private	yes	wholesale and retail industry	horizontal	ongoing	cash	UK	Europe	Western Europe

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Shenyang Yuanda Enterprise Group		build elevator factory in Almaty, Kazakhstan	0 (0)	0	newly-established	manufacturing	architectural decoration industry
Chery		build factory in Philippines	0 (0)	100	newly-established	manufacturing	transportation equipment manufacturing
Landing International	Ultra Matrix International Ltd.		108 (10800)	100	merger and acquisition	real estate	real estate
Hubei Guochuang High-tech Material Co., Ltd.		construction project of oil and gas production facility in Canada with Sahara Energy Ltd.	15.39 (1539)	100	merger and acquisition	comprehensive	
CK Life Sciences Int'l. (Holdings), Inc.		vineyard in New Zealand	34.79 (3479)	100	merger and acquisition	manufacturing	medicine manufacturing
Hebei Iron & Steel Group, Ltd.	Canada Alderon Iron Ore Corporation	Jiamei iron ore project	95.6 (9560)	100	merger and acquisition	manufacturing	ferrous metal smelting and calendaring industry
Power Construction Corporation of China	(WAPDA) Pakistan Hydroelectric Development Bureau	Dasu hydropower station 132kv transmission line engineering EPC contract	0 (0)	0	newly-established	production and supply of power, gas and water	production and supply of power and heat industry
Industrial and Commercial Bank of China	Tekstilbank		316 (31600)	75.5	merger and acquisition	financial	banking industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	no	production and supply of power, gas and water	mixed	ongoing	cash	Kazakhstan	Asia	Central Asia
private	yes	production and supply of power, gas and water	mixed	ongoing	cash	Philippines	Asia	Southeast Asia
private	yes	culture, sporting and entertainment	mixed	ongoing	cash	Korea	Asia	East Asia
private	yes	mining	mixed	ongoing	cash	Canada	North America	
private	yes	agriculture, forestry, animal husbandry and fishing	mixed	ongoing	cash	New Zealand	Oceania	
state-owned	yes	mining	vertical	ongoing	cash	Canada	North America	
state-owned	yes	production and supply of power, gas and water	horizontal	ongoing	/	Pakistan	Asia	South Asia
state-owned	yes	financial	horizontal	ongoing	cash	Turkey	Asia	West Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
May 2014							
Donghua Testing Technology Co., Ltd.		set up wholly-owned subsidiary in New York	2.3 (230)	100	newly-established	manufacturing	instrument and meter, culture and office supplies, manufacturing
Elecpro	Switzerland Mistral Engines SA		3.39 (339)	85.6	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Elecpro		Germany SkyTRAC/ SkyRIDER project technical assets and model	2.732 (273.2)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Baoshan Iron & Steel Co., Ltd.	Aquila Resources, Inc.		1132 (113200)	100	merger and acquisition	manufacturing	ferrous metal smelting and calendering, manufacturing
Hutchison Whampoa, Ltd.	02 (Ireland)		1000 (100000)	100	merger and acquisition	financial	
Alibaba Group Holding Limited	Singapore Post Ltd		229.4 (22940)	10.35	merger and acquisition	information transmission, computer service and software	telec-ommunications and other information transmission service industry
Aluminum Corporation of China		iron ore project in Guinea	20000 (2000000)	0	newly-established	manufacturing	nonferrous metal smelting and calendaring industry
China CAMC Engineering Co., Ltd.		Bockara Inter-national Airport project	0 (0)	0	newly-established	construction	other construction
Beijing Guoli Energy Investment Co., Ltd.	Cuesta Coal		986.96 (98696)	54	merger and acquisition	financial	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	yes	manufacturing	vertical	ongoing	asset	USA	North America	
private	yes	manufacturing	horizontal	finished	cash	Switzerland	Europe	Western Europe
private	Yes	manufacturing	horizontal	finished	cash	Germany	Europe	Western Europe
state-owned	yes	mining	horizontal	ongoing	cash	Australia	Oceania	
private	yes	information transmission, computer service and software	horizontal	ongoing	cash	Ireland	Europe	Western Europe
private	yes	information transmission, computer service and software	horizontal	ongoing	cash	Singapore	Asia	Southeast Asia
state-owned	yes	mining	horizontal	ongoing	cash	Guinea	Africa	"Sub-Saharan Africa"
state-owned	yes	transportation, storage and post	horizontal	ongoing	cash	Nepal	Asia	South Asia
private	no	mining	horizontal	ongoing	cash	Australia	Oceania	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Dongfang Electric Corporation		build a gas turbine at a Russian Far East second thermal power station	2230 (223000)	0	newly-established	production and supply of power, gas and water	production and supply of power and heat industry
Taizhou Beiping Machine Tool Co., Ltd.	Germany Shinaiya Machine Tool Co., Ltd		319.23 (31923)	100	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Valin Group		FMG stock right project	0 (0)	0	merger and acquisition	manufacturing	ferrous metal smelting and calendaring, manufacturing
Hongfu Fund	MEO (Australia)	oil and gas exploration business	0 (0)	0	newly-established	financial	
Fosun International, Ltd.	" Caixa Geral de Depositos "		1060.93 (106093)	80	merger and acquisition	comprehensive	
Hengshun Electric		PT. Madani Sejahtera, Ca Alam Jaya	0 (0)	100	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
Fosun International, Ltd.	Japan IDERA Corporation		0 (0)	98	merger and acquisition	comprehensive	
Xinfa Group		invest in new alumina	3000 (300000)	100	newly-established	manufacturing	nonferrous metal smelting and calendaring industry
Changzhou Almaden Co., Ltd.		set up wholly-owned subsidiary in the Middle East	20 (2000)	100	newly-established	manufacturing	chemical fibre manufacturing
Qihu 360 Software Co., Ltd.		establish Silicon Valley office	0 (0)	100	newly-established	information transmission, computer service and software	tele-communications and other information transmission service industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	production and supply of power, gas and water	horizontal	ongoing	cash	Russia	Europe	Eastern Europe
private	no	manufacturing	horizontal	ongoing	cash	Germany	Europe	Western Europe
state-owned	yes	mining	vertical	ongoing	cash	Australia	Oceania	
private	no	mining	vertical	ongoing	cash	Australia	Oceania	
private	yes	financial	mixed	ongoing	cash	Spain	Europe	Western Europe
private	yes	mining	horizontal	ongoing	cash	Indonesia	Asia	Southeast Asia
private	yes	real estate	mixed	ongoing	cash	Japan	Asia	East Asia
private	no	mining	vertical	ongoing	asset	Jamaica	North America	
private	yes	manufacturing	vertical	ongoing	asset	UAE	Asia	West Asia
private	yes	information transmission, computer service and software	vertical	finished	asset	USA	North America	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Jiangxi Copper Corporation		Albania copper ore project	65 (6500)	100	merger and acquisition	manufacturing	nonferrous metal smelting and calendaring industry
China Southern Airlines		Ljubljana Airport	0 (0)	75	merger and acquisition	transportation, storage and post	air-transport industry
Shanghai Electric Group Co., Ltd.	Ansaldo Energy Corporation (Italy)		424.26 (42426)	40	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat industry
China National Machinery Industry Corporation	Russia European Cement Industry Group	Russia cement industry renovation project	5.41 (541)	0	newly-established	manufacturing	electric appliances and instrument manufacturing
Power Construction Corporation of China		LOA the first 500 kilovolt trans-mission line (C Bid) in Sarawak, Malaysia	0 (0)	0	newly-established	construction	
Bank of China, Ltd.	Mutyair Tbk		0 (0)	100	merger and acquisition	financial	banking industry
Xinfa Group		build a new alumina factory in Saint Ann parish at the north of Jamaica	3000 (300000)	0	newly-established	manufacturing	nonferrous metal smelting and calendaring industry
Agile Property Holdings, Ltd.	Tropicana Corporation Berhad	Malaysia Kuala Lumpur lot	137.82 (13782)	100	merger and acquisition	real estate	real estate
Jiangsu Shunfeng Photovoltaic Technology Co., Ltd.	Sunways (Germany)	solar energy business	0 (0)	100	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	yes	mining	vertical	ongoing	asset	Albania	Europe	
state-owned	yes	transportation, storage and post	horizontal	ongoing	asset	Slovenia	Africa	Eastern Europe
state-owned	yes	production and supply of power, gas and water	horizontal	ongoing	cash	Italy	Europe	Western Europe
state-owned	yes	manufacturing	vertical	ongoing	cash	Russia	Europe	Eastern Europe
state-owned	yes	production and supply of power, gas and water	horizontal	ongoing	cash	Malaysia	Asia	Southeast Asia
state-owned	yes	financial	horizontal	finished	/	Indonesia	Asia	Southeast Asia
private	no	mining	vertical	ongoing	asset	Jamaica	North America	
private	yes	real estate	horizontal	finished	cash	Malaysia	Asia	Southeast Asia
private	yes	manufacturing	horizontal	finished	cash	Germany	Europe	Western Europe

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
June 2014							
Hon Hai Precision Industry Company, Ltd.	SK C&C (Korea)		342.87 (34287)	4.9	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
United Vansen International Sports Co., Ltd.	Holland ADO Den Haag		8.5 (850)	100	merger and acquisition	culture, sporting and entertainment	sporting
Meitong (Beijing) International Investment Co., Ltd.	ORCA Group		()0.48 (48)	0	merger and acquisition	financial	
China Construction Bank Corporation		The City of London 111 Old Broad Street office building	163.84 (16384)	100	merger and acquisition	financial	
HSBC Holdings plc	LGT Group Foundation		0 (0)	100	merger and acquisition	financial	banking industry
China Life Insurance Company, Ltd.	Qatar Holdings Corporation	London Canary Wharf 10 Upper Bank Street Building	0 (0)	100	merger and acquisition	financial	insurance industry
Golden Dragon Precise Copper Tube Group, Inc.		large scale copper tube	100 (10000)	0	newly-established	manufacturing	nonferrous metal smelting and calendaring industry
Fosun International, Ltd.	Studio 8		0 (0)	0	merger and acquisition	comprehensive	
Power Construction Corporation of China		EPC contract for a coal power project in Pakistan	0 (0)	0	newly-established	production and supply of power, gas and water	production and supply of power and heat industry
Wanxiang Group		build a 53-floor office block	490 (49000)	100	newly-established	scientific research, technology service and geological survey	specific technology service industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	yes	information transmission, computer service and software	mixed	finished	cash	Korea	Asia	East Asia
private	no	culture, sporting and entertainment	horizontal	finished	cash	Holland	Europe	Western Europe
private	no	real estate	mixed	ongoing	cash	Korea	Asia	East Asia
state-owned	yes	real estate	mixed	finished	cash	UK	Europe	Western Europe
private	no	financial	horizontal	finished	cash		Europe	Western Europe
state-owned	yes	real estate	mixed	finished	cash	UK	Europe	Western Europe
private	no	manufacturing	vertical	finished	asset	USA	North America	
private	yes	culture, sporting and entertainment	mixed	finished	cash	USA	North America	
state-owned	yes	production and supply of power, gas and water	horizontal	ongoing	cash	Pakistan	Asia	South Asia
private	no	real estate	mixed	ongoing	cash	USA	North America	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Guangzhou BRF Group		build a 42-floor complex in Seattle	5 (500)	100	newly-established	real estate	real estate
Shenhua Group Corporation Limited		Rostec	0 (0)	0	newly-established	mining	coalmining and washing industry
Wanxiang Group	Leyden Energy Inc.	battery tech-nology	0 (0)	100	merger and acquisition	manufacturing	medicine manufacturing
Grand Farm	V&V Walsh		160 (16000)	0	merger and acquisition	manufacturing	food manufacturing
Chow Tai Fook Jewellery Group, Ltd.	Hearts On Fire		150 (15000)	100	merger and acquisition	wholesale and retail	wholesale industry
China Oil and Gas Group Co., Ltd.	Canada oil and gas manufacturer		117.4 (11740)	100	merger and acquisition	manufacturing	petroleum processing, coking and nuclear fuel processing industry
Dakang Farming		North Land ranch and Luo Cen ranch in New Zealand	404.36 (40436)	100	merger and acquisition	agriculture, forestry, animal husbandry and fishing	animal husbandry industry
Zijin Mining Group Co., Ltd.	Bullabulling Gold		0 (0)	30	merger and acquisition	mining	nonferrous metal mining and selecting industry
Zhejiang Zanyu Technology Co., Ltd.	set up subsidiary company in Singapore		5 (500)	100	newly-established	manufacturing	chemical raw materials and chemical products manufacturing
China Huishan Dairy Holdings Company, Ltd.	Friesland Campina (Holland)		0 (0)	0	merger and acquisition	manufacturing	food manufacturing
Ningbo Joyson Electronic Corp.	IMA Automation Amberg GmbH (IMA)		15.19 (1519)	100	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
Grand Farm	V&V Walsh		151.8 (15180)	0	merger and acquisition	mining	agriculture

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	No	real estate	horizontal	ongoing	cash	USA	North America	
private	no	mining	horizontal	ongoing	cash	Russia	Europe	Eastern Europe
private	No	manufacturing	horizontal	finished	cash	USA	North America	
private	no	manufacturing	horizontal	ongoing	cash	Australia	Oceania	
private	yes	wholesale and retail	horizontal	finished	cash	USA	North America	
state-owned	yes	mining	horizontal	finished	cash	Canada	North America	
private	yes	agriculture, forestry, animal husbandry and fishing	vertical	ongoing	cash	New Zealand	Oceania	
state-owned	yes	mining	horizontal	ongoing	cash	Australia	Oceania	
private	yes	manufacturing	vertical	ongoing	cash	Singapore	Asia	Southeast Asia
private	Yes	manufacturing	vertical	ongoing	cash	Holland	Europe	Western Europe
private	yes	manufacturing	horizontal	finished	stock right	Germany	Europe	Western Europe
private	no	agriculture, forestry, animal husbandry and fishing	horizontal	ongoing	cash	Australia	Oceania	

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Great Wall Motors Company, Ltd.		build car factory in Tula state Wuziluo-waya industrial park	515.52 (51552)	0	newly-established	manufacturing	transportation equipment manufacturing
Nanyang Guoyu Airproof Co., Ltd.	Wilbert Group (Germany)		26.57 (2657)	0	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
AVIC International Holding Corporation		petro-chemical factory	0 (0)	0	newly-established	manufacturing	transportation equipment manufacturing
China Yantai Yuancheng Gold Co., Ltd	"Lev card (Tajikistan, Canada) "	help to develop the ability to mine for gold	20 (2000)	0	newly-established	comprehensive	
Ningbo Xianfeng New Material Co., Ltd	Kresta Holdings Limited		26.25 (2625)	0	merger and acquisition	manufacturing	
Goodbaby Co., Ltd.	Evenflo		145 (14500)	100	merger and acquisition	manufacturing	craftwork and other manufacturing
ZTE Corporation		set up a research and develop-ment center in India	0 (0)	100	newly-established	information transmission, computer service and software	tele-communications and other information transmission service industry
Magang (Group) Holding Co., Ltd.	SAS Valdunes		13.8 (1380)	100	merger and acquisition	manufacturing	ferrous metal smelting and calendaring industry
Zhaopin.com	Jobs DB		15.72 (1572)	100	merger and acquisition	resident service and other service	resident service industry
Beijing Capital Group Co., Ltd.	Transpacific New Zealand		717.73 (71773)	100	merger and acquisition	financial	
WH Group Limited	Sigma Alimentos		99.01 (9901)	91	merger and acquisition	manufacturing	food manufacturing
China Mobile, Ltd.	Thailand True Corporation PCL		880.16 (88016)	18	merger and acquisition	information transmission, computer service and software	tele-communications and other information transmission service industry

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
private	yes	transportation, storage and post	vertical	ongoing	asset	Russia	Europe	Eastern Europe
private	no	manufacturing	horizontal	ongoing	cash	Germany	Europe	Western Europe
state-owned	yes	manufacturing	mixed	ongoing	asset	Iran	Asia	West Asia
private	Yes	mining	mixed	ongoing	cash	Tajikistan	Asia	Central Asia
private	yes	manufacturing	horizontal	ongoing	cash	Australia	Oceania	
private	yes	manufacturing	horizontal	ongoing	cash	USA	North America	
private	yes	information transmission, computer service and software	vertical	ongoing	cash	India	Asia	South Asia
state-owned	yes	manufacturing	horizontal	ongoing	asset	France	Europe	Western Europe
private	yes	resident service and other service	horizontal	ongoing	asset	USA	North America	
state-owned	yes	manufacturing	mixed	ongoing	cash	New Zealand	Oceania	
private	yes	manufacturing	vertical	ongoing	cash	Mexico	South America	
state-owned	yes	information transmission, computer service and software	horizontal	ongoing	cash	Thailand	Asia	Southeast Asia

Continued

Investor	Counterparty	Target	Transaction amount (million dollars)	Share proportion (%)	Investment method	Industry of investor (first level)	Industry of investor (second level)
Huaidong Petroleum Technology Co., Ltd.		set up wholly-owned subsidiary in Holland.	7 700	100	newly-established	mining	oil and gas exploitation industry
Shanghai Electric Group Co., Ltd.	Ansaldo Energy Corporation		425.2 42520	40	merger and acquisition	production and supply of power, gas and water	production and supply of power and heat
Xianfeng New Material	Kresta Holdings Limited		36.76 3676	0	merger and acquisition	manufacturing	communication equipment, computer and other electronic equipment manufacturing
Wanda Group Co., Ltd.		Spain (Edificio di Espana)	0 0	0	merger and acquisition	real estate	real estate
MediaTek, Inc.		Broadcom mobile phone chips business	0 0	100	merger and acquisition	information transmission, computer service and software	tele-communications and other information transmission service industry
Shanghai Electric Group Co., Ltd.	ILFS Energy Development Corporation		0 0	75	merger and acquisition	manufacturing	electric appliances and instrument manufacturing
QUA.com	GrabTaxi		15 1500	0	merger and acquisition	manufacturing	resident service industry
China Railway Construction Corporation Co., Ltd.		build subway in Moscow	2000 200000	0	newly-established	financial	banking industry
Menglan		petroleum product complex	1159.92 115992	100	newly-established	comprehensive	

Category of investor enterprise	Whether the investor enterprise is on the market to be listed	Industry of target	Method of merger and acquisition	Transaction situation	Payment method	Country of target	Region	Remark
state-owned	Yes	mining	vertical	ongoing	cash	Holland	Europe	Western Europe
state-owned	yes	manufacturing	horizontal	ongoing	cash	Italy	Europe	Western Europe
private	yes	manufacturing	horizontal	ongoing	cash	Australia	Oceania	
private	yes	real estate	vertical	ongoing	cash	Spain	Europe	Western Europe
private	yes	information transmission, computer service and software	horizontal	ongoing	cash	USA	North America	
state-owned	yes	production and supply of power, gas and water	horizontal	ongoing	cash	India	Asia	South Asia
private	yes	information transmission, computer service and software	horizontal	ongoing	cash	Singapore	Asia	Southeast Asia
private	yes	transportation, storage and post	mixed	ongoing	cash	Russia	Europe	Eastern Europe
private	Yes	mining	mixed	ongoing	cash	Russia	Europe	Eastern Europe

Notes

1 Scholarly Context of This Book

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2 Overview of Chinese Enterprise Globalization

1. Cross-border mergers and acquisitions means that an enterprise from a country buys all assets or enough stock shares of another enterprise from another country through some paying channels to actually or fully control the enterprise's operation and management. Cross-border mergers and acquisitions is a flexible and diverse investment method, very conducive to quickly entering into a foreign market and expanding market share. It is easier to get finance for them than is the case for Greenfield investment. It also effectively lowers the barrier to new industries, technology and management advantages. Multinational companies conducting Greenfield Investment usually invest overseas and give part of or all assets and ownership to foreign investors in foreign host countries by their laws. Greenfield Investment is helpful to decrease restrictions of industry protection policy by host countries, maintain the technology and management advantages of enterprises, and choose the production scale and region.
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