

CHINA NEWS

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Marketing Research

CHINA'S SHORT CUT TO WORLD FAME

Private Chinese companies and state-controlled firms are on a buying spree for brands and quality products around the world. On top of the list: Germany's small and middle-sized companies.

Building own brands costs money and time. While Chinese companies have the means to build their own brands, they don't have the time.

In 2011 Chinese state-owned and private companies invested USD 60.1 billion abroad. This is 10% less than what was spent a year before. But in the first quarter of this year, total outbound FDI reached USD 21.4 billion, which indicates that 2012 will likely set a new record.

But where does this money come from? It may or may not be surprising that almost all (98%) of the outbound investment in the first three months came from state-owned enterprises (in contrast, in the first quarter of last year, state companies accounted for 53% of all outbound investment).

There is a clear trend that the central government is pushing its own companies to invest abroad. At the same time, the high share of state money shows that private Chinese companies do not have the means or are not open enough to go out there and buy foreign competitors.

New Focus

Another interesting fact is that 83% of the non-resources deals focused on Europe.

In the past a lot of capital was invested abroad to buy into natural resources companies in Australia, South America and Africa. As of this year, the focus has been readjusted.

This goes hand in hand with the new strategy of the government to go after quality products and services of established



small and middle sized companies in the European Union. Obvious reasons are: technology transfer, market access and worldwide presence: By 2015, the central government wants its companies to spend USD 560 billion overseas.

Building a brand in developed markets can take years or even decades. Buying an established market leader saves time; and it is a big game changer for the entire industry.

It probably also has to do with the weakening of the Euro, which now trades around 8:1 to the RMB. In summer 2011, the Euro was almost 20% more expensive as Chinese investors had to pay RMB 9.50 for one Euro.



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Focus on German companies



This year several large German mid-sized companies have been taken over by Chinese competitors. Among them were

industry leaders such as Putzmeister, the largest European producer of concrete pumps, Kiekert, the largest manufacturer of automotive door-lock systems and Schwing, a large concrete equipment manufacturer.

It seems the owners of these companies trust Chinese businesses more than ever. Even the worker unions seem quiet open to belong to a Chinese (state-owned) company. "We prefer the Chinese because they have a long-term strategy, whereas Anglo-Saxon private equity firms are all about a quick

turnaround," Bloomberg quotes union leader Sieghard Bender.

Bloomberg statistics show that so far this year nine German "Mittelstand" companies, typically family-owned and with 500 or less employees, have agreed to be acquired by Chinese firms, bringing the total to 21 since the beginning of 2011.

According to Reuters, Chinese bidders are currently involved in 20 M&A transactions in Germany, including some with a volume of more than a billion dollars.

China buys German quality companies

Acquired German company	Sales in 2011 in USD	# of employees	Industry	Chinese acquirer	Amount paid in USD	Date of acquisition
Putzmeister	570 million	3,000	Concrete pumps	Sany Heavy Industries	653 million	January 2012
Kiekert	650 million	4,000	Automotive door-lock systems	Hebei Lingyun Industrial Group	Not published	March 2012
Schwing	500 million	3,300	Concrete equipment	XCMG	390 million	April 2012

GOVERNMENT NEWS

China Investment Corporation buys stake in Paris-listed Eutelsat

State-backed China Investment Corporation has bought a 7% stake in Paris-listed European satellite operator Eutelsat for EUR 385 million from Spanish infrastructure firm Abertis. Abertis said the sale would generate a EUR 237 million capital gain. With the sale to CIC, Abertis will maintain an 8.35% stake in Eutelsat.

Chinese banks took 29% of 2011 global profit

Chinese lenders accounted for almost a third of global bank profit last year, up from 4 percent in 2007, as they grabbed market share given up by struggling European peers, according to The Banker magazine's annual rankings. Three

Chinese banks topped the profit table, led by Industrial and Commercial Bank of China (ICBC) for the second successive year, with pretax earnings of USD 43.2 billion, according to The Banker.

Chinese companies delist in the U.S.

19 Chinese companies delisted from the American stock markets in the first half of this year, a report by Ernst and Young showed. This follows accounting scandals involving Zhongpin, Tibet Pharmaceuticals and Sino Forest. Last year, 20 US-listed Chinese companies withdrew from U.S. markets.

China, Japan plan FTA

China and Japan are mulling over a free trade agreement, Chinese media report. "Now is a good time for China and Japan to discuss starting

FTA negotiations," said Wei Jianguo, former vice-minister of commerce and secretary-general of the China Center for International Economic Exchanges, during the Beijing-Tokyo Forum in July.

"Rapidly growing trade and the surge of Japanese investment into China have established conditions for both countries to start FTA talks," he added.

Trade between the two countries hit a record USD 344.9 billion in 2011, up 14.3% from the previous year, and is expected to reach USD 350 billion in 2012, according to the Japan External Trade Organization.

Japanese investment in China surged by 49.6% year-on-year in 2011 to USD 6.3 billion, and the first five months of 2012 saw Japanese investment of USD 3.22 billion, up 16.6% from the previous year, according to the Ministry of Commerce.

CHINA BUSINESS NEWS

Arla buys into Mengniu Dairy

China's largest milk producer by sales volume China Mengniu Dairy Co announced that Denmark's Arla Foods has become its strategic investor by buying a 6% stake in the company. Mengniu did not give financial details of the deal but Arla, in a separate statement, said it agreed to invest RMB 1.7 billion (USD 270 million) in the Chinese dairy company. The investment is expected to increase Arla's turnover in China five-fold by 2016. Since 2005, Arla has primarily sold powdered milk products to the Chinese market through a JV with Mengniu.

Burger King opens 1,000 stores

Burger King Worldwide Holdings Inc has signed a JV with private-equity firm Cartesian Capital Group LLC and the Kurdoglu family of Turkey for the group to open 1,000 restaurants in five to seven years in the mainland. The deal also makes the Kurdoglu family, with over 450 Burger King Restaurants in Turkey, Burger King's biggest franchisee in the world. Burger King presently has 63 restaurants in China. Financial terms of the deal are not revealed.

Accor adds over 6,500 hotel rooms

Global hotel operator Accor maintains its expansion momentum by securing 31 new contracts, adding 6,572 new hotel rooms in China since the start of 2012. The hotels contracts include one Sofitel,

nine Pullman, five Mei Jue (Grand Mercure), one Novotel, and 15 Ibis projects. According to Accor, the hotel brands that have experienced the strongest demand this year include The Pullman, Mei Jue and in the economy hotel segment, Ibis Hotels.

Chinese banks offer USD 95 billion loan to Taiwanese firms

The Industrial and Commercial Bank of China, Bank of China, China Construction Bank, and China Development Bank will offer a credit ceiling of RMB 600 billion (USD 95 billion) to the Taiwanese-invested businesses in the mainland, an official said. The said banks will provide the loans in the next three to four years to the Taiwanese-invested businesses operating in the mainland, said Wang Yi, director of the State Council's Taiwan Affairs Office.

Maersk invests USD 508 million to develop Ningbo port

APM Terminals, the port-operating arm of Danish shipping and oil company AP Molle Maersk, signed an agreement with China's Ningbo Port Co for the joint development and operation of facilities at Ningbo port, with Maersk investing about USD 508 million in the JV. Maersk's investment constitutes 25% of the equity stake in the development project. The deal was signed by APM Terminals Chief Executive Kim Feifer and Ningbo Port Co Chairman Li Linghong at a ceremony in connection with the three-day state visit to Denmark of China's President Hu Jintao.

CHINA EVERYWHERE

What media, business people and politicians around the world recently said about China:

"China will always remain a developing country, no matter how strong we are." - Cui Tiankai, Chinese Deputy Foreign Minister.

"Modest corruption should be allowed in China and be understood by the public." - Editorial by The Global Times, a state-run newspaper.

"China still enjoys huge development potential and it will maintain the 8% growth rate for at least another 20 years." - Justin Yifu Lin, former chief economist of the World Bank.

"Journalists who think of themselves as professionals instead of as propaganda workers, are making a fundamental mistake about identity." - Hu Zhanfan, President of China Central Television CCTV.

"China cannot develop in isolation from the world, and the world cannot become prosperous without China." - Jia Qinglin, the fourth ranking member of the Politburo Standing Committee of the Communist Party of China.

CBC Services & Contacts

Market Research

CBC Marketing Research uses a variety of quantitative and qualitative methodologies ranging from traditional focus groups and in-depth interviews to CATI surveys and internet-based research.

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| <p><input type="checkbox"/> Quantitative Research:</p> <ul style="list-style-type: none"> ▶ Telephone interviews (CATI) ▶ Personal interviews (CAPI) ▶ Street intercept interviews ▶ Central location testing ▶ Online research ▶ Mystery shopping ▶ Car clinic | <p><input type="checkbox"/> Qualitative Research:</p> <ul style="list-style-type: none"> ▶ Focus groups ▶ Mini focus groups ▶ In-depth interviews <p><input type="checkbox"/> Other:</p> <ul style="list-style-type: none"> ▶ Desk research ▶ Retail research |
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CBC Business Consulting helps you to successfully setup your company and find the right partners for your expansion in China. We also provide feasibility and industry studies and offer sourcing and office-in-office services.

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CBC Executive Search works with a large number of companies to meet their talent and executive needs in China. We directly approach all our highly educated and experienced candidates working in different business sectors including the following.

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|--|--|

Contact The **CBC** Office Nearest To You:

BERN
CBC Switzerland Ltd. (head office)
 Marktforschung
 Marktgasse 32
 3011 Bern
 Switzerland
 Tel. +41 31 560 3000
 Fax +41 31 312 5886

BEIJING
CBC Marketing Research
 Suite 512, New World
 Taihua Office Tower
 5-5 Chongwenmenwai Dajie
 Beijing 100062
 P. R. China
 Tel. +86 10 6709 1622
 Fax +86 10 6709 1633

MUMBAI
CBC Marketing Research
 B 805 & B 806, Sagar Tech Plaza
 Sakinaka Junction
 Andheri Kurla Road, Andheri (East)
 Mumbai 400072
 India
 Tel. +91 22 6770 3718
 Fax +91 22 6645 9842

TOKYO
CBC Marketing Systems
 HIK Building 1F
 4-10-8, Takadanobaba Shinjuku-ku
 Tokyo 168-0075
 Japan
 Tel. +86 21 5155 2000
 Fax +86 21 5155 2099

SHANGHAI
CBC Marketing Research
CBC Building
 49A Wuyi Road
 Shanghai 200050
 P. R. China
 Tel. +86 21 5155 2000
 Fax +86 21 5155 2099

GUANGZHOU
CBC Marketing Research
 Room 1901, Unit 10, 19/F
 GangLV Int. Center, CTS
 219 Zhongshanwu Rd
 Guangzhou 510030
 P. R. China
 Tel. +86 20 2227 3200
 Fax +86 20 2227 3201

HONG KONG
CBC Marketing Research
 Suite 2909-10, 29/F
 China Resources Building
 No.26 Harbour Road
 Wanchai Hong Kong
 Tel. +86 21 5155 2000
 Fax +86 21 5155 2099

MOSCOW
CBC Validata
 66, Pyatnitskaya Street
 Moscow 119017
 Russia
 Tel. +86 21 5155 2000
 Fax +86 21 5155 2099

CBC EMAIL:
info@cbcnw.com

CBC WEB:
www.cbcnow.com