

China Transactions Insights

Spring 2020



Overview

The coronavirus pandemic severely disrupted Chinese businesses during the first few months of the year, as demonstrated by a 6.8% decline in China's GDP for Q1 2020. China also recorded declines in industrial output (-8.4%), retail sales (-19.0%), foreign trade (-6.4%) and foreign direct investment (-10.8%) in Q1 2020.¹ However, as many Chinese businesses, factories and people return to work, economic indicators and financial markets are beginning to show signs of recovery.

Capital markets activity for Chinese companies also felt the impact of COVID-19, as market volatility and uncertainty slowed the pace of both U.S. and Hong Kong IPOs of Chinese companies through the first four months of the year.²

Going-private transaction activity for U.S.-listed companies based in China remains below the peak level seen in 2016. However, 2020 has the potential for a substantial uptick in deal value, as companies with pending going-private proposals represented approximately USD 13 billion in total market capitalization as of May 7, 2020.²

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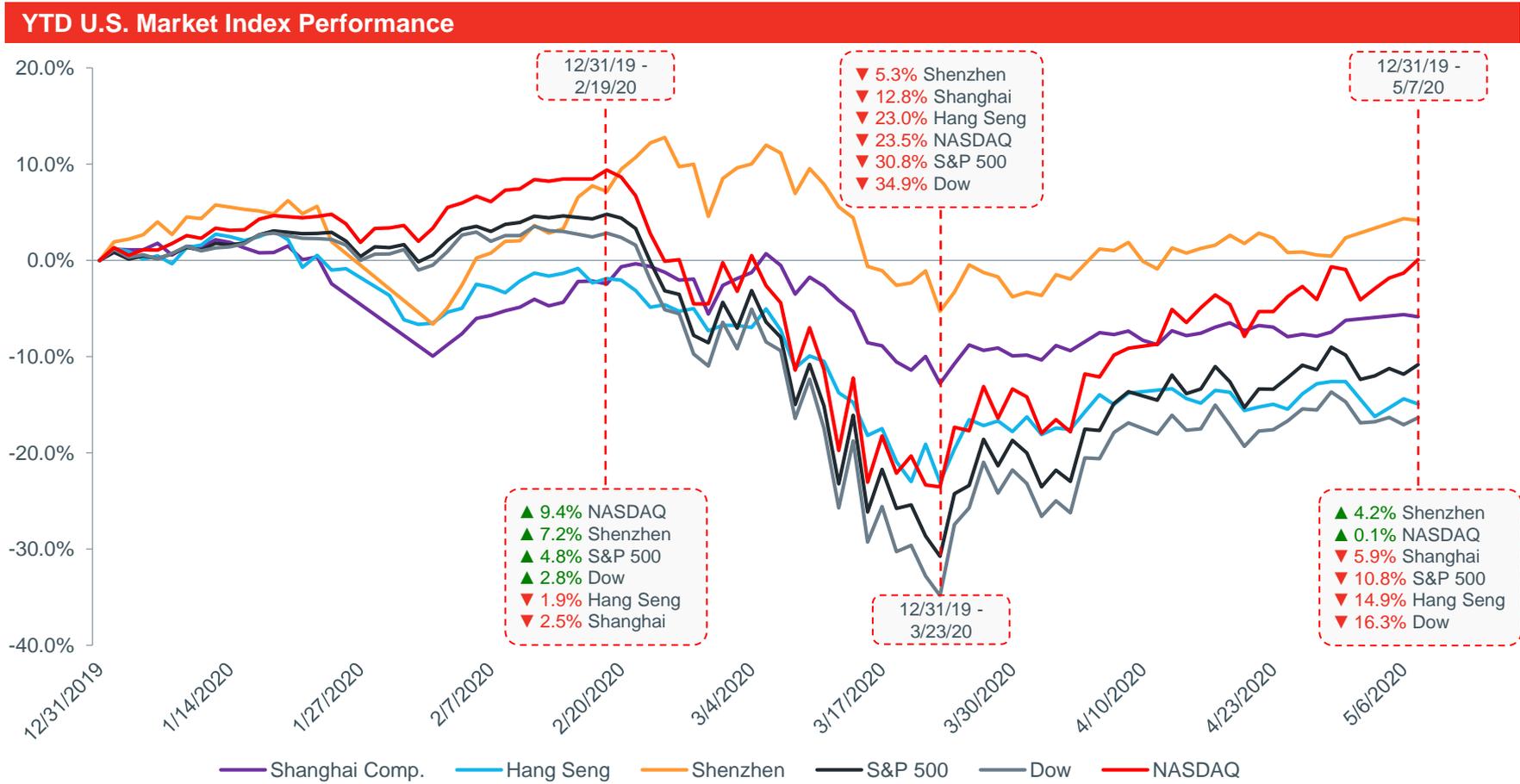
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¹ China National Bureau of Statistics and China Ministry of Commerce

² SEC filings, company press releases and S&P Global Market Intelligence as of May 7, 2020

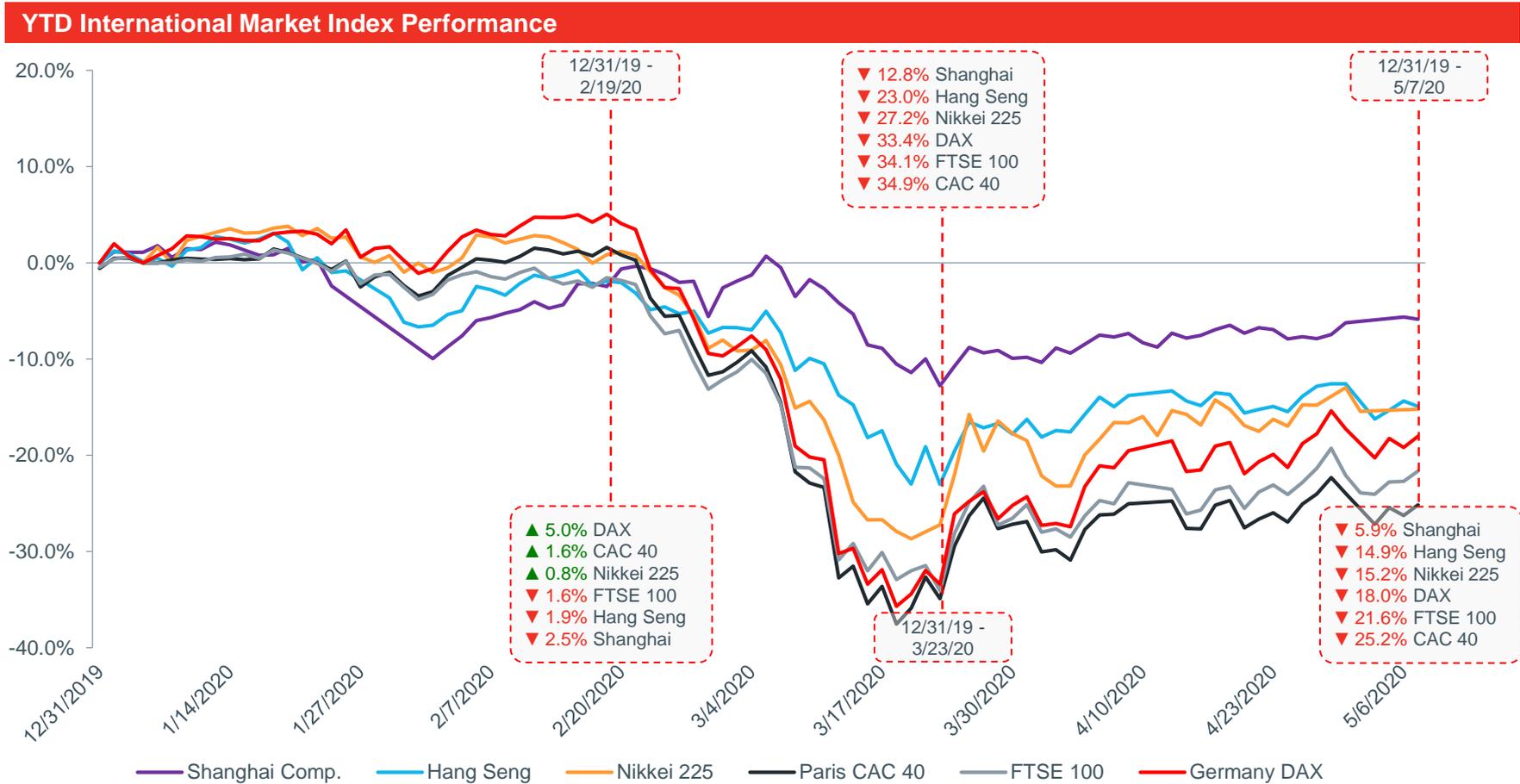
COVID-19 Impact

From February 19, Chinese equity markets followed U.S. stocks downward as investors grappled with the effect of COVID-19. Since March 23, Chinese and U.S. indices have posted modest recoveries, but most remain negative year-to-date (YTD).



COVID-19 Impact

International equity markets fell in unison as the impact of shutdowns on the global economy became clear. Since March 23, indices rebounded moderately but remain well below their levels before the coronavirus outbreak.



COVID-19 Impact ○○●○○

China Q1 2020 Economic Indicators

Indicator	Q1 2020 Metric ¹	Commentary
GDP Growth	▼ 6.8%	China's GDP posted its first decline since 1992, when official quarterly GDP records were first published. Hubei province, which was most impacted by the coronavirus, posted a 39.2% drop in economic output for the quarter.
Foreign Trade	▼ 6.4%	Trade levels showed signs of stabilizing in March, as foreign trade of goods was down 0.8% year-over-year, compared to a drop of 9.5% for January to February. Exports fell 11.4% while imports declined 0.7% for the quarter.
Outbound Direct Investment	▼ 0.6%	According to the Ministry of Commerce of the People's Republic of China (Ministry of Commerce), investment mainly flowed into leasing and business services, wholesale and retail, and manufacturing and mining sectors.
Foreign Direct Investment	▼ 10.8%	Despite the overall decline of foreign direct investment into China, investment in the high-tech services sector was up 15.5% for the quarter. According to the Ministry of Commerce, China will seek further opening-up and foreign investment to offset the economic shock brought about by COVID-19.
Industrial Output	▼ 8.4%	While overall Q1 industrial production was significantly impacted by the coronavirus, the National Bureau of Statistics reported that 16 of 41 sectors recorded increasing output in March.
Industrial Profits	▼ 36.7%	According to the National Bureau of Statistics, 39 of 41 industrial sectors surveyed saw profits fall in Q1; however, 28 sectors saw improvement in profit growth or a softening of the decline in March.
Fixed Asset Investment	▼ 16.1%	Fixed asset investment was down 24.5% for the first two months of the year but showed signs of recovery in March, as March investment was up 6.1% from February.
Steel Production	▼ 1.1%	According to the Ministry of Industry and Information Technology, major steelmakers experienced revenue declines of over 5% in Q1; however, the majority of steelmakers tracked by the China Iron and Steel Association had resumed production as of April 19, 2020.

¹ Reflects year-over-year change

Source: China Ministry of Commerce, China National Bureau of Statistics and China Ministry of Industry and Information Technology

COVID-19 Impact ○○○●○

China Q1 2020 Economic Indicators

Indicator	Q1 2020 Metric ¹	Commentary
Retail Sales	▼ 19.0%	Retail sales slumped as efforts to curb the spread of COVID-19 kept most people indoors and most shops and restaurants closed. Online sales were relatively stable, declining just 0.8%, and online sales of physical goods increased 5.9% and accounted for 23.6% of total retail sales for the quarter.
E-Commerce Activity (Shanghai)	▲ 19.1%	The Shanghai Municipal Commission of Commerce reported a surge in e-commerce activity, as online sales platforms played a crucial role in supplying the market during the coronavirus outbreak.
Electricity Consumption	▼ 6.5%	March power consumption declined 4.2% from the previous year, slowing from the decline of 10.1% observed in February.
Telecommunication Sector Revenue	▲ 1.8%	The telecommunications sector registered slight growth for the quarter, with revenue from mobile communications contributing approximately 66% of the total sector revenue.
Mobile Data Consumption	▲ 39.3%	The surge in data consumption during the epidemic was driven by consumer demand for online medical, education, food delivery and retail services, as well as online conferencing, telecommuting and cloud storage for enterprises.
Transportation Services Index	▼ 28.5%	The index tracks the transport volume of passengers and cargo through various means; sub-indices for passenger transport and cargo transport declined 66.4% and 8.6%, respectively, over previous year levels.
Property Sales	▼ 24.7%	Residential real estate sales declined 22.8%, while sales of commercial property declined 39.8% in Q1.
Property Investment	▼ 7.7%	Q1 saw a 7.7% decline in property development investment, narrowing from the 16.3% drop for the first two months of the year, according to the National Bureau of Statistics.

¹ Reflects year-over-year change

Source: China Ministry of Commerce, China National Bureau of Statistics and China Ministry of Industry and Information Technology

COVID-19 Impact ○○○○●

“The impact of the pandemic is temporary. China’s economy has strong resilience and great potential, while the fundamentals for high-quality development won’t change” – **Yi Gang, Governor, People’s Bank of China (April 26, 2020)**

“A balance between economic stabilization and risk prevention must be struck to make a leeway for long-term sustainability of the economy.” – **Yi Gang, Governor, People’s Bank of China (April 26, 2020)**

“The current healthcare crisis is a wakeup call for retailers. It has prompted many to accelerate their digital makeovers, so that their businesses become more dynamic and resilient.” – **Feng Yu, Senior Director of E-commerce Content, Taobao (Alibaba Group) (March 30, 2020)**

“Since the coronavirus outbreak, we have directed the resources of our ecosystem to support frontline relief efforts, stabilize prices of necessities, and help with the recovery of our merchants and business partners.” – **Zheng Huang, Chairman and CEO, Pinduoduo Inc. (March 11, 2020)**

“Yum China is gradually re-opening stores across China when possible and appropriate to do so, on a partial or fully operational basis. Store closures peaked in February with approximately 35% of restaurants closed.” – **Yum China Holdings, Inc. (March 23, 2020)**

“This has a negative impact on operations including clinical trial recruitment and participation. Research, manufacturing, labs, and factories have been back full time for over a month.” – **John Oyler, Chairman and CEO, Beigene Ltd. (April 6, 2020)**

“Since late January, we’ve spared no effort in the fight against COVID-19 in China. Our leading supply chain and logistics network have been called upon to address unmet needs across China. We’ve been ensuring consumers’ livelihoods while partnering with public institutions to ensure access to emergency supplies.” – **Richard Liu, Chairman and CEO, JD.com Inc. (March 2, 2020)**

“From the end of January, we stopped the operation of all learning centers nationwide and effectively moved our offline classes to small size online live broadcasting classes.” – **Michael Yu, Executive Chairman, New Oriental Education & Technology Group (February 29, 2020)**

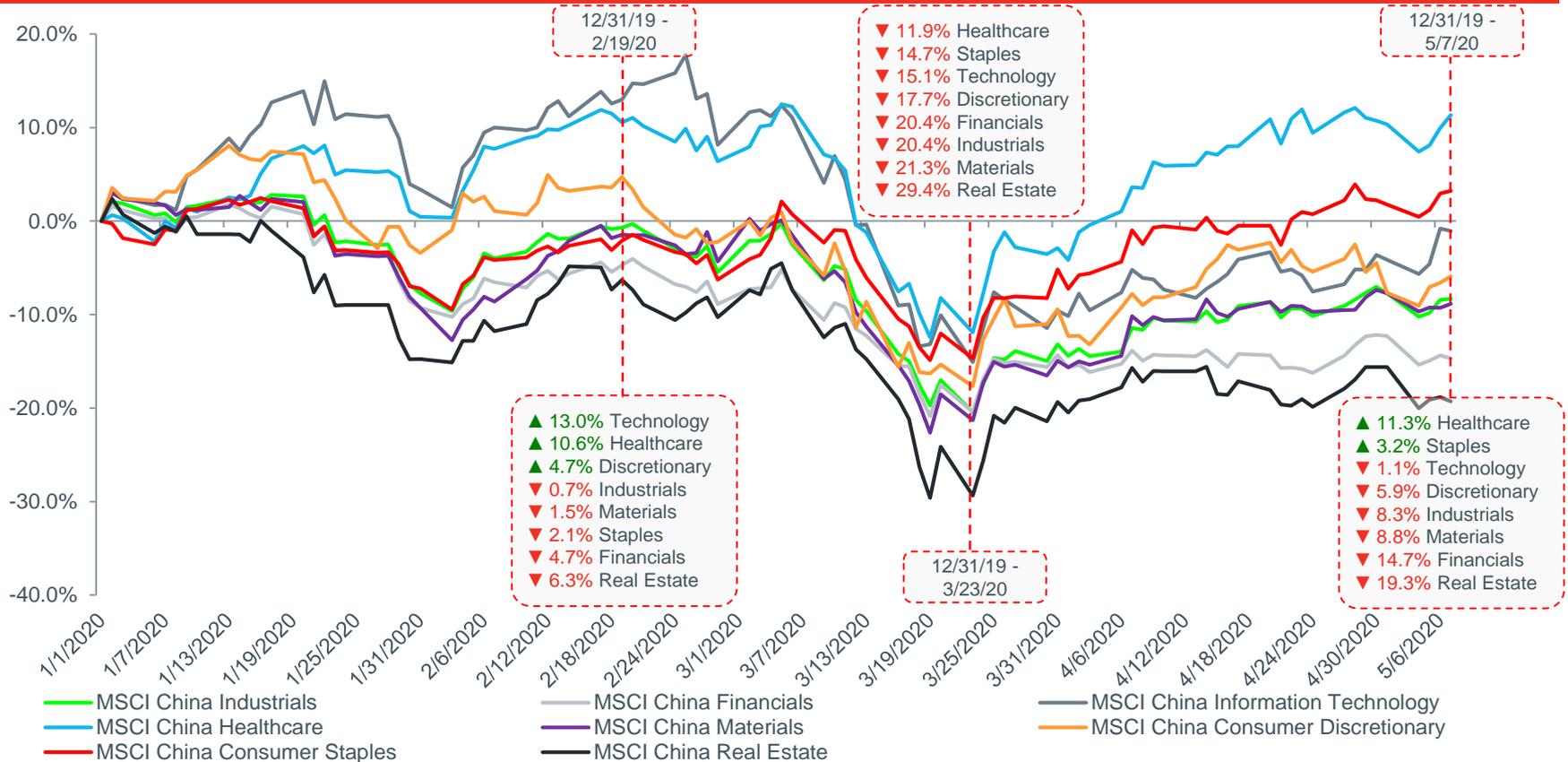
“During the recent novel coronavirus outbreak, we took immediate actions to take care of our customers and partners, while taking on necessary financial impact in the near term.” – **Jane Sun, CEO, Trip.com Group Ltd. (March 18, 2020)**

“Now, we have moved to the initial recovery stage and are seeing gradual improvements in our hotel operations.” – **Ji Qi, Executive Chairman and CEO, Huazhu Group Ltd. (March 26, 2020)**

Industry Sector Performance

Concerns surrounding COVID-19's impact on economic activity drove down Chinese stock prices across all industry sectors. Since March 23, prices have rebounded on hopes for the resumption of normal business operations, with the healthcare and consumer staples sectors recovering the most while real estate, financials, materials and industrials have lagged.

China Industry Sectors: Stock Price Performance

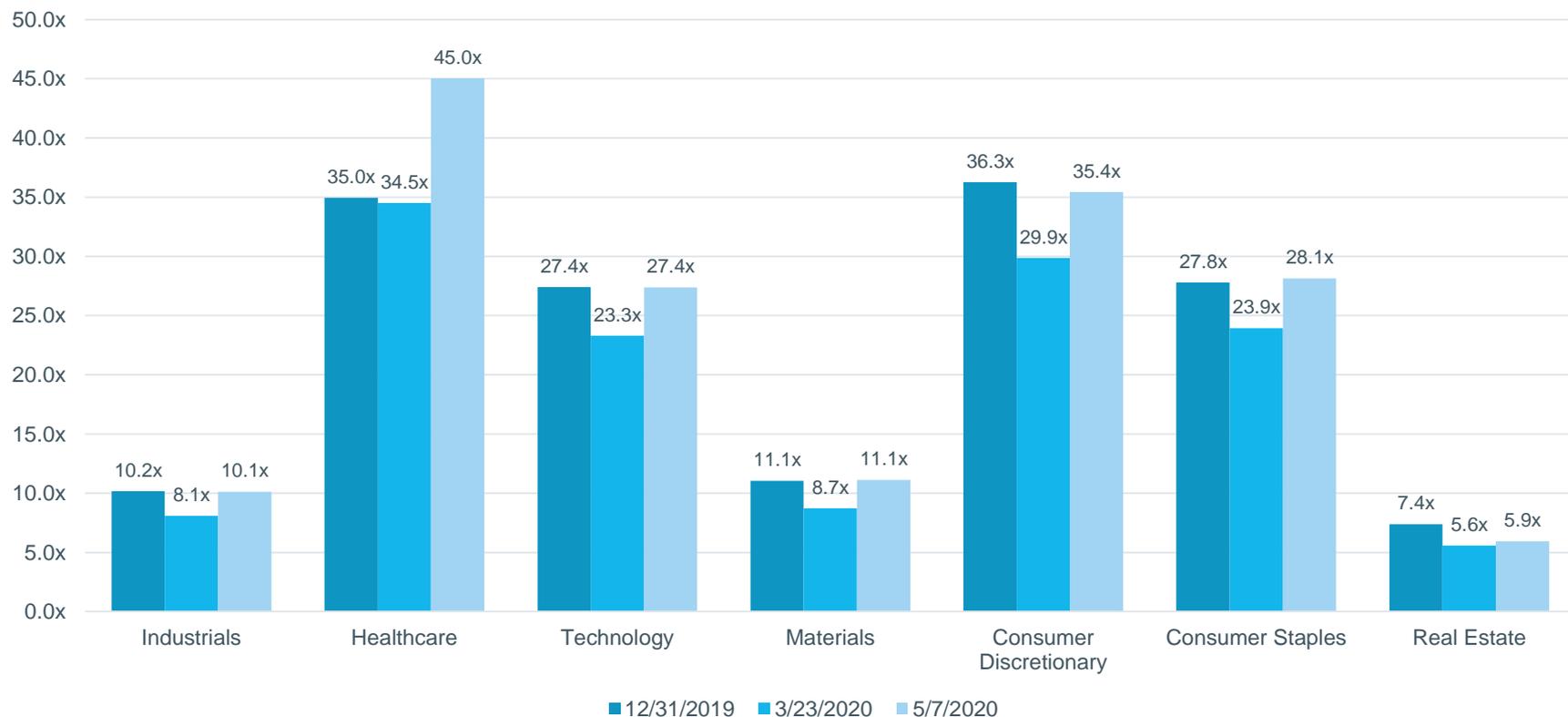


Note: Industry sector data reflects MSCI China industry sector indices.
Source: Bloomberg, MSCI index data and S&P Global Market Intelligence as of May 7, 2020

Industry Sector Performance

Earnings multiples for Chinese companies followed the international equity markets down in mid-March. Healthcare—which includes healthcare equipment and services, pharmaceuticals, biotechnology and life sciences—has seen the greatest improvement in earnings multiples since the beginning of the year.

China Industry Sectors: Price/LTM Earnings Multiples

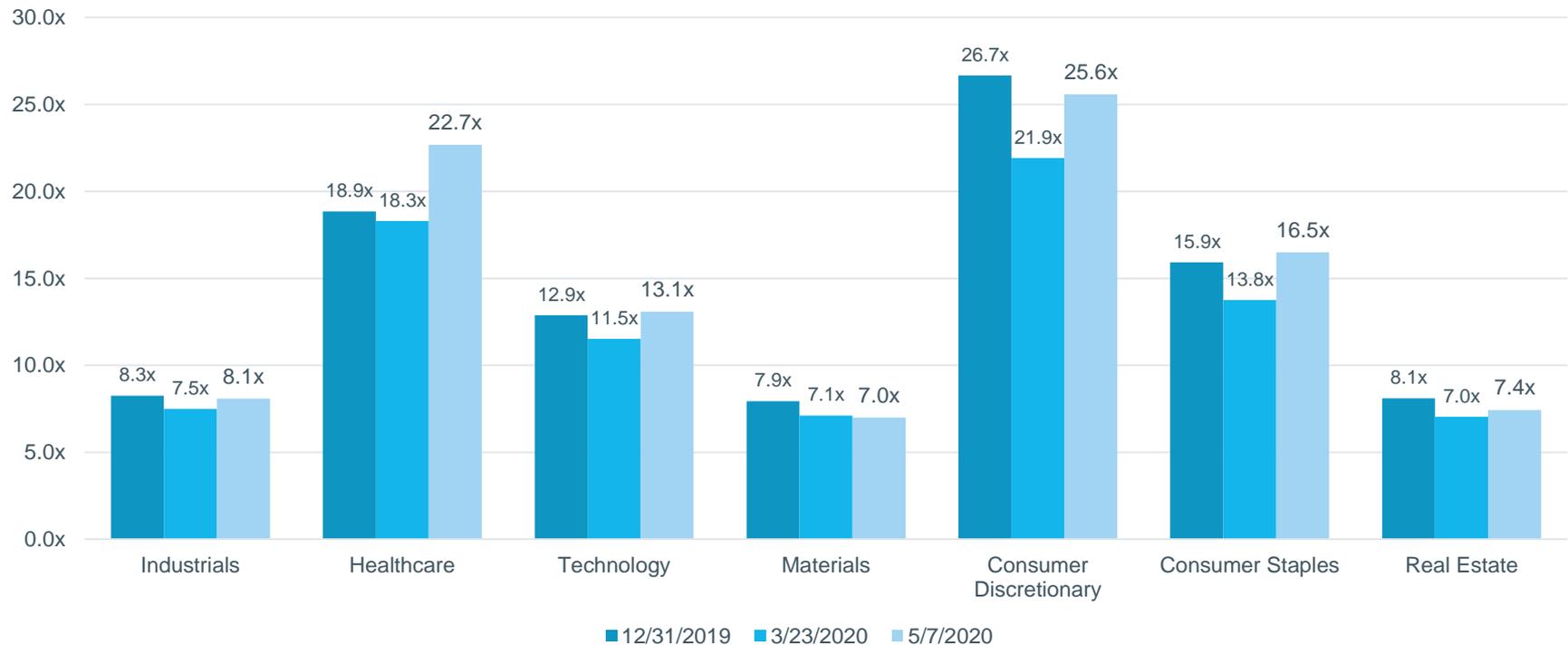


Note: Industry sector data reflects MSCI China industry sector indices.
 Source: Bloomberg, MSCI index data and S&P Global Market Intelligence as of May 7, 2020

Industry Sector Performance

Trailing EBTIDA multiples for Chinese companies fell on average 11% from year-end 2019 to March 23. While EBITDA multiples remain lower for some sectors, multiples for healthcare, consumer discretionary and consumer staples sectors recovered substantially as investors gauge their ability to perform through the crisis.

China Industry Sectors: Enterprise Value/LTM EBITDA Multiples

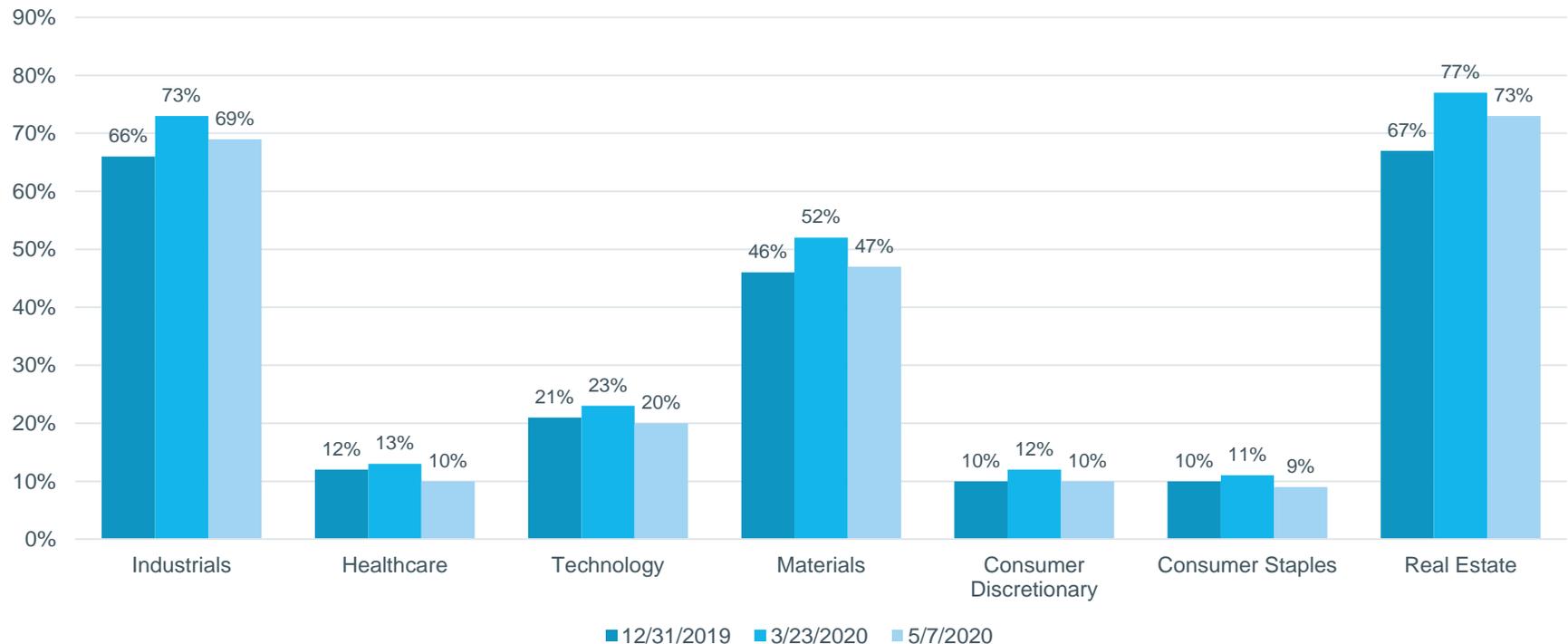


Note: Industry sector data reflects MSCI China industry sector indices.
 Source: Bloomberg, MSCI index data and S&P Global Market Intelligence as of May 7, 2020

Industry Sector Performance

Leverage ratios across all Chinese industry sectors increased in March as equity markets fell internationally. Debt-to-enterprise value ratios improved through April and generally remain at or above levels from year-end 2019.

China Industry Sectors: Total Debt/Enterprise Value Leverage



Note: Industry sector data reflects MSCI China industry sector indices.
 Source: Bloomberg, MSCI index data and S&P Global Market Intelligence as of May 7, 2020

U.S.-Listed Chinese Companies

Of the 205 China-based companies listed on major U.S. exchanges as of May 7, 2020, approximately 70% trade on the Nasdaq, approximately 30% trade on the NYSE and several companies trade on the AMEX. Over 70% of the firms are incorporated in the Cayman Islands, with other companies primarily incorporated in the British Virgin Islands and the U.S.

Summary of U.S.-Listed Chinese Companies

Industry Sector	Number of Companies	Total Market Cap (USD mn)	Exchange	Number of Companies	Total Market Cap (USD mn)
Media and Entertainment	33	\$168,487	Nasdaq	141	\$336,090
Diversified Financials	31	9,983	NYSE	59	708,753
Consumer Services	27	97,633	AMEX	5	137
Retailing	21	682,799	Total	205	\$1,044,980
Software and Services	13	16,908			
Materials	10	185			
Pharmaceuticals and Biotechnology	8	22,073			
Capital Goods	7	999			
Food, Beverage and Tobacco	7	259			
Automobiles and Components	6	4,859			
Real Estate	6	2,174			
Consumer Durables and Apparel	6	496			
Commercial and Professional Services	5	4,392			
Healthcare Equipment and Services	5	1,714	Incorporation	Number of Companies	Total Market Cap (USD mn)
Technology Hardware and Equipment	4	2,614	Cayman Islands	148	\$1,023,546
Food and Staples Retailing	4	751	British Virgin Islands	28	2,452
Transportation	3	25,441	Nevada	14	429
Household and Personal Products	3	98	Delaware	8	18,127
Semiconductors and Semiconductor Equipment	2	1,469	Florida	3	81
Insurance	2	1,373	Hong Kong	2	341
Banks	1	257	Other	2	5
Energy	1	17	Total	205	\$1,044,980
Total	205	\$1,044,980			

U.S.-Listed Chinese Companies

Top 20 U.S.-Listed Chinese Companies: Stock Price Performance

Top 20 Companies By Market Capitalization	Ticker	Industry	Stock Price as of 5/7/2020	Total Market Cap (USD mn)	Performance Since 3/23/2020	Performance Since 12/31/2019
Alibaba Group Holding Limited	NYSE:BABA	Internet and Direct Marketing Retail	\$196.49	\$527,330	▲ 11.4%	▼ 7.4%
JD.com, Inc.	NasdaqGS:JD	Internet and Direct Marketing Retail	\$44.76	\$65,682	▲ 15.9%	▲ 27.1%
Pinduoduo Inc.	NasdaqGS:PDD	Internet and Direct Marketing Retail	\$50.05	\$59,941	▲ 46.8%	▲ 32.3%
NetEase, Inc.	NasdaqGS:NTES	Entertainment	\$347.32	\$44,853	▲ 16.2%	▲ 13.3%
Baidu, Inc.	NasdaqGS:BDU	Interactive Media and Services	\$98.18	\$33,955	▲ 7.6%	▼ 22.3%
TAL Education Group	NYSE:TAL	Diversified Consumer Services	\$53.19	\$31,475	▲ 13.2%	▲ 10.4%
ZTO Express (Cayman) Inc.	NYSE:ZTO	Air Freight and Logistics	\$29.89	\$23,431	▲ 26.5%	▲ 28.0%
New Oriental Education & Technology Group Inc.	NYSE:EDU	Diversified Consumer Services	\$123.72	\$19,601	▲ 19.1%	▲ 2.0%
Yum China Holdings, Inc.	NYSE:YUMC	Hotels, Restaurants and Leisure	\$47.12	\$17,722	▲ 14.2%	▼ 1.9%
Tencent Music Entertainment Group	NYSE:TME	Entertainment	\$10.43	\$17,497	▲ 10.4%	▼ 11.2%
Trip.com Group Limited	NasdaqGS:TCOM	Internet and Direct Marketing Retail	\$24.81	\$14,599	▲ 12.4%	▼ 26.0%
iQIYI, Inc.	NasdaqGS:IQ	Entertainment	\$16.83	\$12,347	▼ 3.7%	▼ 20.3%
BeiGene, Ltd.	NasdaqGS:BGNE	Biotechnology	\$153.42	\$11,903	▲ 20.0%	▼ 7.4%
Vipshop Holdings Limited	NYSE:VIPS	Internet and Direct Marketing Retail	\$15.14	\$10,180	▲ 0.9%	▲ 6.8%
Bilibili Inc.	NasdaqGS:BILI	Entertainment	\$28.65	\$9,896	▲ 41.4%	▲ 53.9%
GSX Techedu Inc.	NYSE:GSX	Diversified Consumer Services	\$40.87	\$9,753	▲ 7.9%	▲ 87.0%
Autohome Inc.	NYSE:ATHM	Interactive Media and Services	\$78.91	\$9,396	▲ 19.8%	▼ 1.4%
Huazhu Group Limited	NasdaqGS:HTHT	Hotels, Restaurants and Leisure	\$32.09	\$9,191	▲ 15.7%	▼ 19.9%
GDS Holdings Limited	NasdaqGM:GDS	IT Services	\$62.55	\$9,186	▲ 24.7%	▲ 21.3%
Weibo Corporation	NasdaqGS:WB	Interactive Media and Services	\$36.88	\$8,352	▲ 8.2%	▼ 20.4%
Indices						
Shanghai Stock Exchange Composite Index			2,871.52		▲ 7.9%	▼ 5.9%
Shenzhen Stock Exchange Composite Index			1,788.21		▲ 9.6%	▲ 3.8%
Hang Seng Index			24,199.92		▲ 11.5%	▼ 14.2%
S&P 500			2,881.19		▲ 28.8%	▼ 10.8%
NASDAQ Composite Index			8,979.66		▲ 30.9%	▲ 0.1%
Dow Jones Industrial Average			23,875.89		▲ 28.4%	▼ 16.3%

U.S.-Listed Chinese Companies

Top 20 U.S.-Listed Chinese Companies: Valuation Multiples

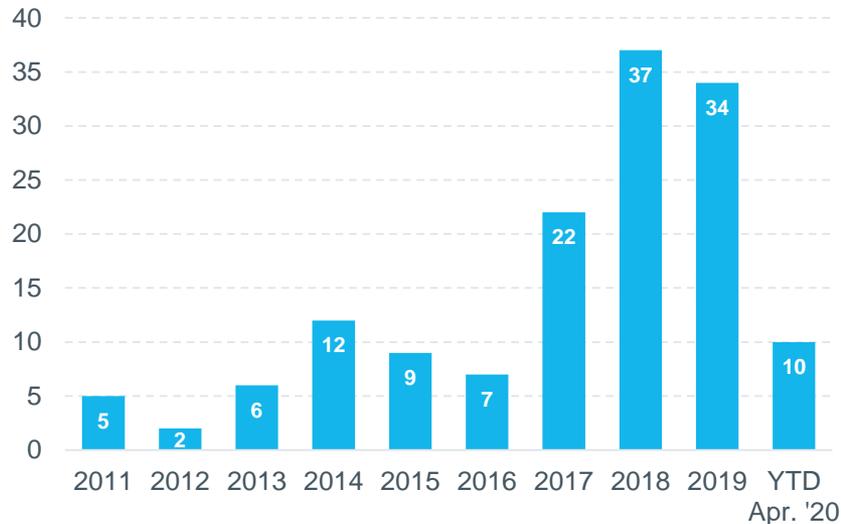
Top 20 Companies By Market Capitalization	Enterprise Value/EBITDA			Price/Earnings		
	As of 5/7/2020	Change from 3/23/2020	Change from 12/31/2019	As of 5/7/2020	Change from 3/23/2020	Change from 12/31/2019
Alibaba Group Holding Limited	25.1x	▲ 2.7x	▼ 7.5x	21.0x	▲ 2.2x	▼ 5.1x
JD.com, Inc.	39.6x	▲ 5.9x	▲ 6.4x	37.9x	▲ 5.2x	NM
Pinduoduo Inc.	NM	NM	NM	NM	NM	NM
NetEase, Inc.	16.4x	▲ 2.8x	▼ 0.1x	23.7x	▲ 3.3x	▲ 9.2x
Baidu, Inc.	6.8x	▲ 0.7x	▼ 6.9x	NM	NM	NM
TAL Education Group	NM	NM	NM	NM	NM	NM
ZTO Express (Cayman) Inc.	21.9x	▲ 5.1x	▲ 3.2x	28.8x	▲ 6.0x	▲ 0.4x
New Oriental Education & Technology Group Inc.	29.3x	▲ 4.2x	▼ 4.6x	44.5x	▲ 3.6x	▼ 14.9x
Yum China Holdings, Inc.	16.5x	▲ 4.1x	▲ 1.3x	32.9x	▲ 10.5x	▲ 6.2x
Tencent Music Entertainment Group	22.2x	▲ 2.6x	▼ 8.6x	30.5x	▲ 2.9x	▼ 36.5x
Trip.com Group Limited	18.5x	▲ 1.6x	▼ 11.2x	15.0x	▲ 1.7x	▼ 21.2x
iQIYI, Inc.	11.8x	▼ 0.4x	▼ 10.9x	NM	NM	NM
BeiGene, Ltd.	NM	NM	NM	NM	NM	NM
Vipshop Holdings Limited	10.0x	▼ 0.8x	▼ 4.4x	17.8x	▲ 0.2x	▼ 3.5x
Bilibili Inc.	NM	NM	NM	NM	NM	NM
GSX Techedu Inc.	NM	NM	NM	NM	NM	NM
Autohome Inc.	15.7x	▲ 3.3x	▼ 2.3x	20.5x	▲ 3.4x	▼ 1.5x
Huazhu Group Limited	31.0x	▲ 4.3x	▼ 3.8x	37.6x	NM	NM
GDS Holdings Limited	47.8x	▲ 7.7x	▲ 1.6x	NM	NM	NM
Weibo Corporation	12.3x	▲ 1.0x	▼ 2.7x	16.9x	▲ 1.3x	▼ 1.7x
Indices						
Shanghai Stock Exchange Composite Index	11.9x	▲ 0.9x	▲ 0.2x	14.7x	▲ 2.1x	▲ 0.4x
Shenzhen Stock Exchange Composite Index	20.9x	▲ 2.2x	▲ 1.5x	51.1x	▲ 12.8x	▲ 10.3x
Hang Seng Index	7.8x	▲ 0.9x	▼ 0.8x	10.0x	▲ 1.4x	▼ 1.3x
S&P 500	13.3x	▲ 3.3x	▼ 0.1x	19.9x	▲ 5.2x	▼ 1.3x
NASDAQ Composite Index	18.1x	▲ 3.5x	▼ 0.3x	34.6x	▲ 8.6x	▲ 1.1x
Dow Jones Industrial Average	11.8x	▲ 2.6x	▼ 1.1x	17.6x	▲ 4.5x	▼ 2.5x

Source: SEC filings, Bloomberg, company press releases and S&P Global Market Intelligence as of May 7, 2020

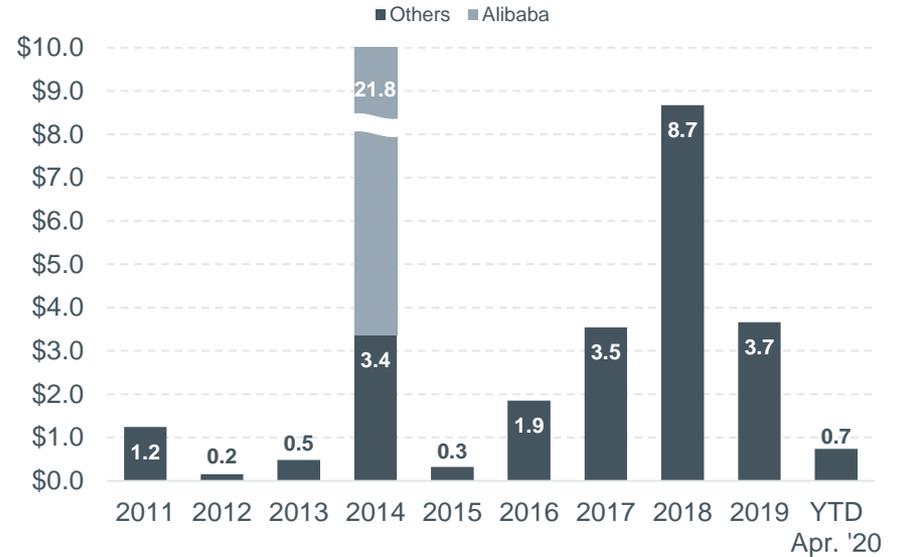
U.S. IPO Activity ●○○

U.S. IPO activity for Chinese firms started at a strong pace in January and February 2020, as nine companies completed new listings for USD 0.7 billion in aggregate funds raised. However, U.S. IPO activity for Chinese companies slowed significantly after the second week of February amid market volatility and uncertainty related to COVID-19, as there were no U.S. IPOs of Chinese firms completed during March; and only one was completed in April.

Number of IPOs



Amount of IPO Funds Raised (USD bn)

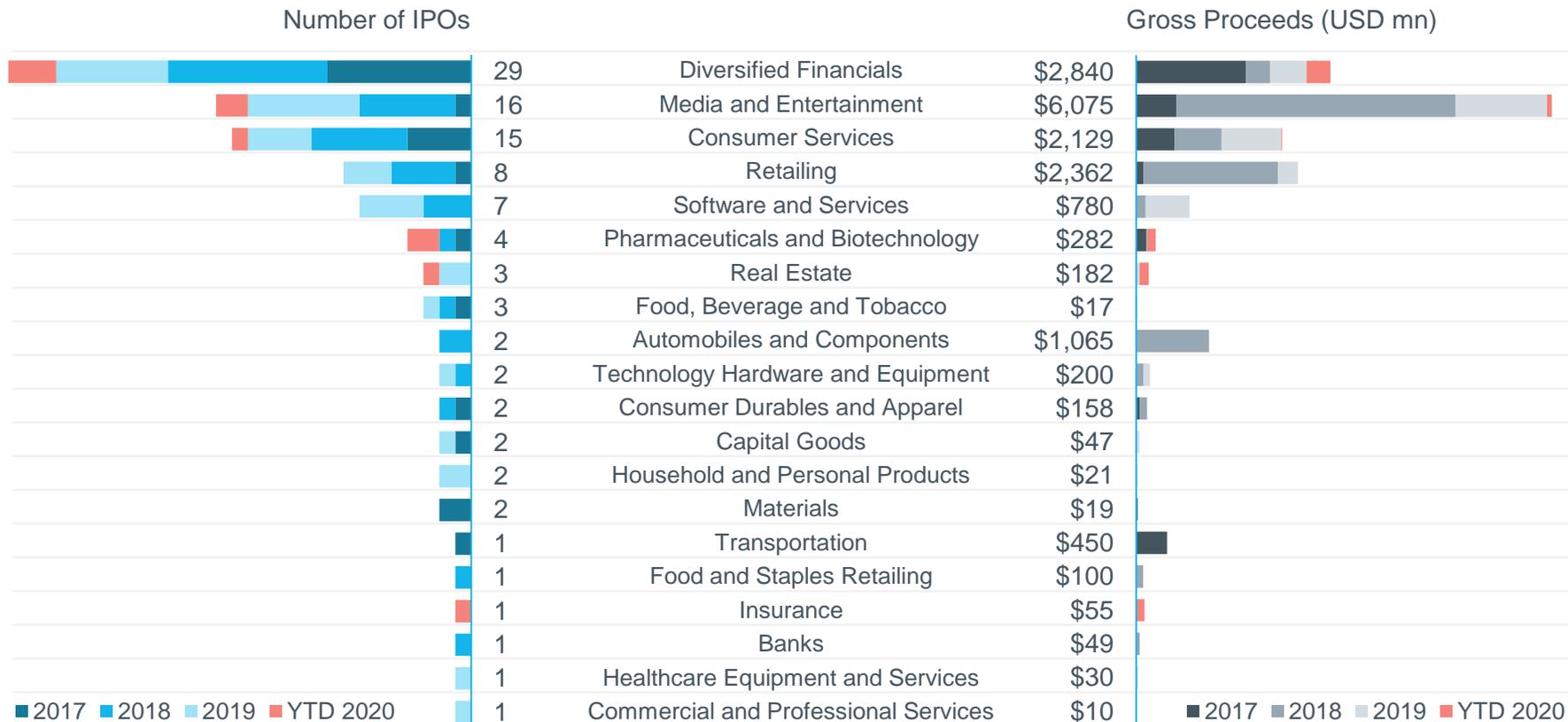


Note: 2014 was an outlier in terms of total IPO funds raised due to Alibaba's record USD 22 billion listing on the NYSE.

U.S. IPO Activity

Through the first four months of 2020, special purpose acquisition companies (SPACs), which raise money with the intent to acquire a business, accounted for the most in total funds raised with approximately USD 350 million and included three IPOs. For full-year 2019, companies in the media and entertainment sector led IPO activity with seven listings and approximately USD 1.3 billion in total funds raised, including large IPOs by DouYu International Holdings Limited, Wanda Sports Group Company Limited and So-Young International Inc.

IPOs by Industry (2017–YTD April 2020)



Source: SEC filings, company press releases and S&P Global Market Intelligence as of May 7, 2020

U.S. IPO Activity

Other than IPOs of SPACs, the largest U.S. IPO of a Chinese company during the first four months of 2020 was the NYSE listing of Phoenix Tree Holdings (which operates the Danke apartment rental platform) for USD 130 million in funds raised, followed by the Nasdaq IPO of biopharmaceutical company I-Mab for USD 104 million in funds raised.

Top 5 U.S. IPOs of Chinese Companies in YTD April 2020 by Funds Raised¹

Pricing Date	Company Name	Incorporation	Industry Sector	Business Description	Gross Proceeds (USD mn)	Indicated Price Range	Offer Price	Stock Price	As of 5/7/2020	
									Market Capitalization (USD mn)	Increase/Decrease From IPO Price
4/1/2020	WiMi Hologram Cloud Inc. (NasdaqGM:WIMI)	Cayman Islands	Media and Entertainment	Augmented reality application platform	\$26	\$7.50- \$9.50	\$5.50	\$4.45	\$263	▼ 19.1%
										
2/12/2020	Huize Holding Limited (NasdaqGM:HUIZ)	Cayman Islands	Insurance	Online insurance marketplace	\$55	\$9.40- \$11.40	\$10.50	\$7.03	\$365	▼ 33.0%
										
1/16/2020	I-Mab (NasdaqGM:IMAB)	Cayman Islands	Pharmaceuticals and Biotechnology	Clinical-stage biopharmaceutical company	\$104	\$12.00- \$15.00	\$14.00	\$16.00	\$925	▲ 14.3%
										
1/16/2020	Lizhi Inc. (NasdaqGM:LIZI)	Cayman Islands	Media and Entertainment	Interactive audio streaming platform	\$45	\$11.00- \$13.00	\$11.00	\$4.65	\$213	▼ 57.7%
										
1/16/2020	Phoenix Tree Holdings Limited (NYSE:DNK)	Cayman Islands	Real Estate	Apartment rental platform	\$130	\$14.50- \$16.50	\$13.50	\$6.54	\$1,197	▼ 51.5%
										

¹ Excludes special purpose acquisition companies (SPACs)

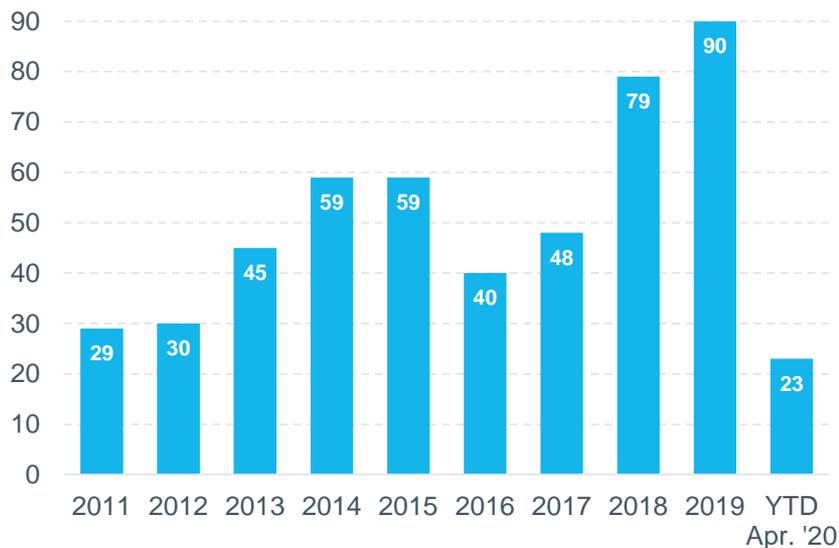
Note: All trademarks, trade names, or logos referenced herein are the property of their respective owners.

Source: SEC filings, company press releases and S&P Global Market Intelligence as of May 7, 2020

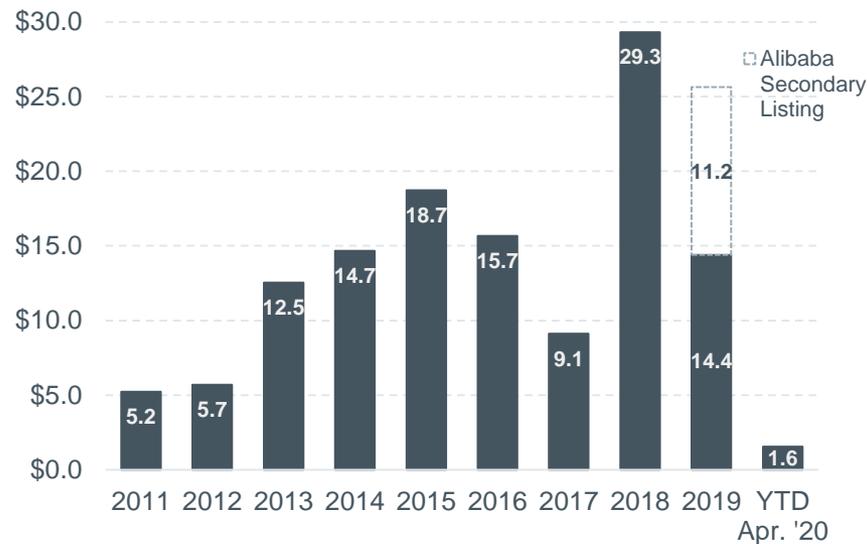
Hong Kong IPO Activity

Hong Kong has long been a key venue for Chinese capital raising activities likely due to its status as a financial hub bridging mainland China and Western markets, and it accounted for over USD 40 billion in aggregate funds raised from IPOs of Chinese companies in 2018 and 2019. However, the first four months of 2020 saw reduced activity, with total funds raised of USD 1.6 billion, largely due COVID-19-related business interruptions and market uncertainties. Hong Kong also faces increasing competition with mainland China stock markets, as the Shanghai Stock Exchange and STAR Market (Shanghai Stock Exchange Science and Technology Innovation Board) continue to attract new listings.

Number of IPOs



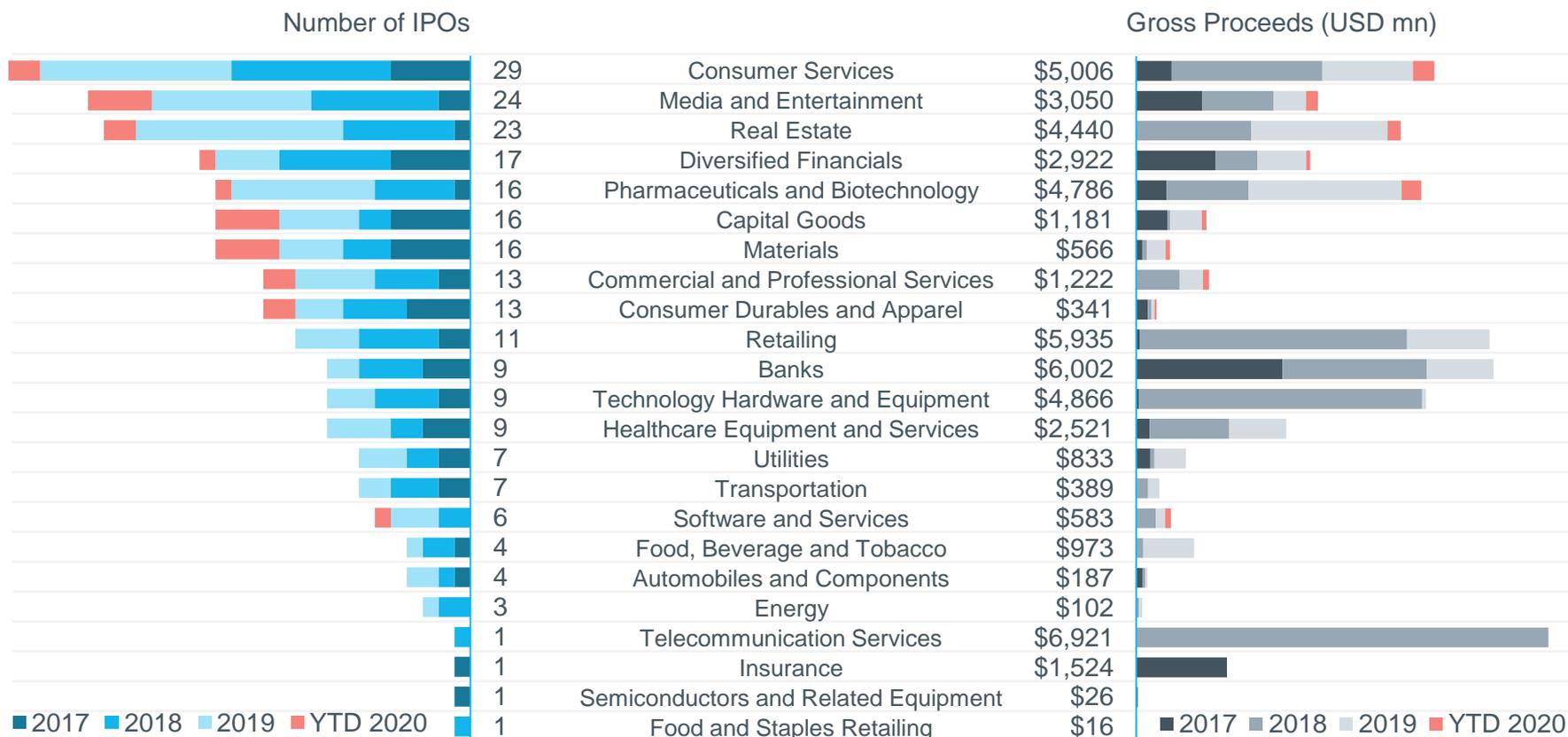
Amount of IPO Funds Raised (USD bn)



Hong Kong IPO Activity

The consumer services sector accounted for the most in IPO funds raised in the first four months of 2020 at USD 361 million, followed by the pharmaceuticals and biotechnology sector at USD 333 million and the real estate sector at USD 221 million. In 2019, the pharmaceuticals and biotechnology sector accounted for the most in total funds raised at approximately USD 2.6 billion, including large IPOs by Shanghai Henlius Biotech and Hansoh Pharmaceutical Group.

IPOs by Industry (2017–YTD April 2020)



Hong Kong IPO Activity

Two Chinese companies have completed IPOs for over USD 200 million in funds raised this year through April, including clinical-stage biopharmaceutical company Akeso and restaurant operator Jiumaojiu International. Video content producer China Bright Culture Group and real estate developer Huijing Holdings also each raised over USD 100 million in their IPOs this year.

Top 5 Hong Kong IPOs of Chinese Companies in YTD April 2020 by Funds Raised

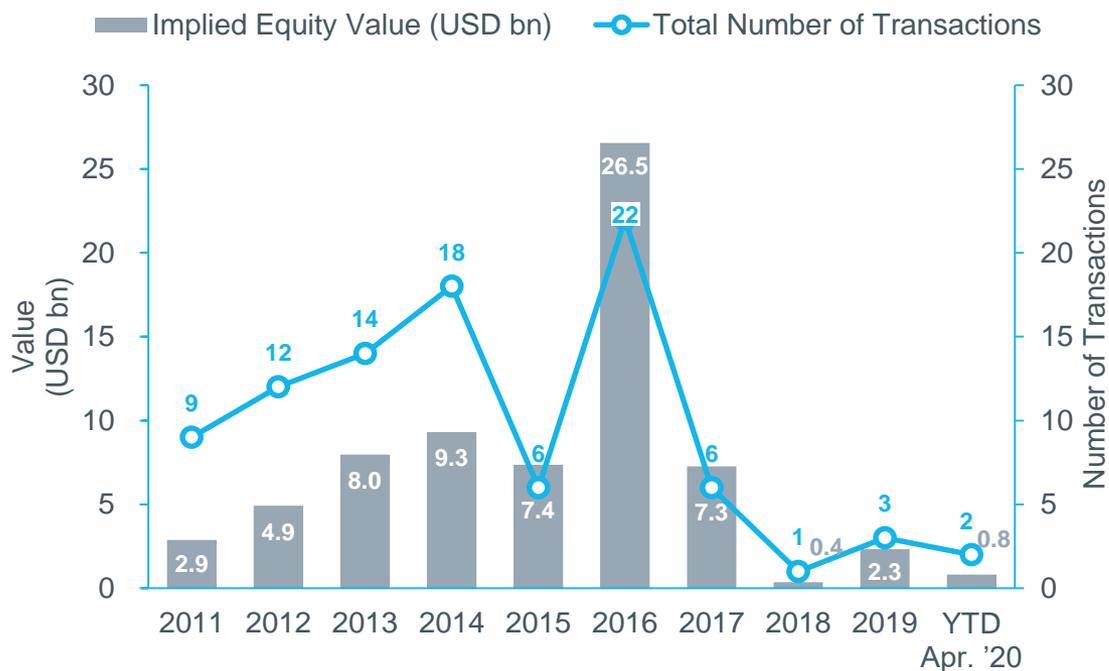
Pricing Date	Company Name	Incorporation	Industry Sector	Business Description	Gross Proceeds (USD mn)	Indicated Price Range	Offer Price	As of 5/7/2020		
								Stock Price	Market Capitalization (USD mn)	Increase/Decrease From IPO Price
4/23/2020	Akeso, Inc. (SEHK:9926)	Cayman Islands	Pharmaceuticals and Biotechnology	Clinical-stage biopharmaceutical company	\$333	HKD 14.88- HKD 16.18	HKD 16.18	HKD 24.85	\$2,447	▲53.6%
										
3/12/2020	China Bright Culture Group (SEHK:1859)	Cayman Islands	Media and Entertainment	Television and video content producer	\$116	HKD 2.25- HKD 3.37	HKD 2.26	HKD 2.07	\$427	▼8.4%
										
1/16/2020	Lvji Technology Holdings Inc. (SEHK:1745)	Cayman Islands	Software and Services	Online tour guide provider	\$96	HKD 1.50- HKD 2.12	HKD 2.12	HKD 0.92	\$167	▼56.6%
										
1/15/2020	Huijing Holdings Company Limited (SEHK:9968)	Cayman Islands	Real Estate	Residential and commercial property developer	\$196	HKD 1.93- HKD 2.39	HKD 1.93	HKD 2.07	\$1,403	▲7.3%
										
1/14/2020	Jiumaojiu International Holdings Limited (SEHK:9922)	Cayman Islands	Consumer Services	Restaurant chain operator	\$283	HKD 5.50- HKD 6.60	HKD 6.60	HKD 11.94	\$2,131	▲80.9%
										

Note: All trademarks, trade names, or logos referenced herein are the property of their respective owners.
Source: SEC filings, company press releases and S&P Global Market Intelligence as of May 7, 2020

Going-Private Transactions

Two going-private transactions of U.S.-listed Chinese companies were completed this year through April, representing a total implied equity value of approximately USD 0.8 billion. Completed transactions include Sohu.com’s acquisition of the remaining stake in its online games subsidiary Changyou.com and the privatization of fashion and lifestyle e-commerce business Jumei International by its chairman and CEO, each completed in April.

Summary of Closed Transactions



YTD April 2020 Closed Transactions



Changyou.com Limited
(NasdaqGS:CYOU)

Online game developer and operator

Closed Date: **4/17/2020**

Announced Date: **9/9/2019**

Implied Equity Value: **USD 579 mn**

Buyer: **Sohu.com Limited**



Jumei International Holding Limited
(NYSE:JMEI)

Fashion and lifestyle e-commerce platform

Closed Date: **4/14/2020**

Announced Date: **1/12/2020**

Implied Equity Value: **USD 229 mn**

Buyer: **Chairman/CEO of Jumei**

Note: All trademarks, trade names, or logos referenced herein are the property of their respective owners.
Source: SEC filings, company press releases and S&P Global Market Intelligence as of May 7, 2020

Going-Private Transactions

2020 could see a significant rise in going-private deal value, as U.S.-listed Chinese companies with pending going-private transactions that have been announced or proposed represented approximately USD 13 billion in total market capitalization as of the end of April. The only transaction announced through April this year was a proposal to acquire online classifieds business 58.com.

2019 and YTD April 2020 Announced Transactions

Announced Date	Status	Company Name	Incorporation	Industry	Business Description	Market Capitalization (USD mn) ¹
4/2/2020	Pending	58.com Inc. (NYSE:WUBA)	Cayman Islands	Media and Entertainment	Online classifieds marketplace	\$7,793
<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 20px;">  </div> <div> <p>4/2/2020 Announced receipt of a preliminary nonbinding proposal from Ocean Link Partners Limited to acquire all outstanding ordinary shares of the company for USD 55.00 per American depository share or USD 27.50 per Class A or Class B ordinary share in cash</p> <hr/> <p>4/20/2020 Announced the formation of a special committee to evaluate and consider the acquisition proposal or alternative strategic options</p> <hr/> <p>4/30/2020 Announced receipt of an updated preliminary nonbinding proposal from a consortium including Warburg Pincus Asia, General Atlantic Singapore Fund, Ocean Link Partners Limited and Mr. Jinbo Yao (Chairman and CEO of 58.com) to acquire all outstanding ordinary shares of the company for USD 55.00 per American depository share or USD 27.50 per ordinary share in cash</p> </div> </div>						
11/5/2019	Suspended	Acorn International, Inc. (NYSE:ATV)	Cayman Islands	Retailing	A marketing and branding company that develops, promotes and sells various products through e-commerce, offline distribution and outbound marketing channels	\$33
<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 20px;">  </div> <div> <p>11/5/2019 Announced receipt of a preliminary nonbinding proposal from Mr. Robert W. Roche (Chairman of Acorn) to acquire all outstanding shares not already owned by the buyer for USD 19.50 per American depository share or USD 0.975 per ordinary share in cash</p> <hr/> <p>2/18/2020 Announced suspension of the proposal by the buyer group in light of uncertainties regarding the impact of COVID-19</p> </div> </div>						
9/18/2019	Pending	China Biologic Products Holdings, Inc. (NasdaqGS:CBPO)	Cayman Islands	Pharmaceuticals and Biotechnology	Engages in R&D, manufacture and sale of plasma-based biopharmaceutical products in China	\$4,201
<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 20px;">  </div> <div> <p>9/18/2019 Announced receipt of a preliminary nonbinding proposal from a buyer group including Beachhead Holdings Limited, CITIC Capital China Partners IV, L.P., PW Medtech Group Limited, Parfield International Ltd., HH Sum-XXII Holdings Limited and V-Sciences Investments Pte. Ltd. to acquire all outstanding shares not already owned by the buyer group for USD 120.00 in cash per share</p> <hr/> <p>9/24/2019 Announced the formation of a special committee to review and evaluate the going-private proposal</p> </div> </div>						

¹ Market capitalization as of May 7, 2020

Note: All trademarks, trade names, or logos referenced herein are the property of their respective owners.

Source: SEC filings, company press releases and S&P Global Market Intelligence as of May 7, 2020

2019 and YTD April 2020 Announced Transactions (Continued)

Announced Date	Status	Company Name	Incorporation	Industry	Business Description	Market Capitalization (USD mn) ¹
9/13/2019	Pending	Bitauto Holdings Limited (NYSE:BITA)	Cayman Islands	Media and Entertainment	Provides internet content and marketing services, and transaction services for the automobile industry in China	\$787
 <p>9/13/2019 Announced receipt of a preliminary nonbinding proposal from Tencent Holdings Limited and Hammer Capital to acquire all outstanding shares not already owned by the buyer group or their affiliates for USD 16.00 in cash per American depositary share</p> <p>9/19/2019 Announced the formation of a special committee to consider the going-private proposal</p>						
7/16/2019	Pending	Gridsum Holding Inc. (NasdaqGS:GSUM)	Cayman Islands	Software and Services	Provides cloud-based data analytics and AI solutions for enterprises and government agencies in China	\$27
 <p>7/16/2019 Announced receipt of a preliminary nonbinding proposal from a consortium including Guosheng Qi (Chairman and CEO), Guofa Yu (director and COO) and their respective, affiliated entities, and Beta Dynamic Limited (an affiliate of Hammer Capital Private Investments Limited) to acquire the company for USD 3.80 in cash per American depositary share or ordinary share</p> <p>7/22/2019 Announced the formation of a special committee to evaluate the going-private proposal and any other alternative transactions</p> <p>5/1/2020 Announced receipt of a revised nonbinding proposal from the buyer consortium to acquire outstanding shares of the company for USD 2.00 in cash per American depositary share or ordinary share</p>						
6/4/2019	Pending	Global Cord Blood Corporation (NYSE:CO)	Cayman Islands	Healthcare Equipment and Services	Provides umbilical cord blood storage and ancillary services in China	\$339
 <p>6/4/2019 Announced receipt of a preliminary nonbinding proposal from Cordlife Group Limited (Cordlife) to combine the businesses of Cordlife and Global Cord Blood through a merger in which Cordlife would issue ordinary shares at an issue price of SGD 0.50 per ordinary share in exchange for all of the outstanding ordinary shares of Global Cord Blood at USD 7.50 per ordinary share</p> <p>6/6/2019 Announced the formation of a special committee to evaluate the proposal from Cordlife Group Limited</p>						
4/26/2019	Pending	SORL Auto Parts, Inc. (NasdaqGM:SORL)	Delaware	Automobiles and Components	Manufactures and distributes automotive brake systems for commercial and passenger vehicles	\$91
 <p>4/26/2019 Announced receipt of a preliminary nonbinding proposal from a consortium including Mr. Xiaoping Zhang (Chairman and CEO of SORL), certain directors of the company and Ruili Group Co., Ltd. to acquire all outstanding shares not owned by the consortium for USD 4.26 per common share in cash</p> <p>5/24/2019 Announced the formation of a special committee to review and evaluate the going-private proposal</p> <p>11/29/2019 Announced that it entered into a definitive merger agreement for the going-private transaction</p>						

¹ Market capitalization as of May 7, 2020

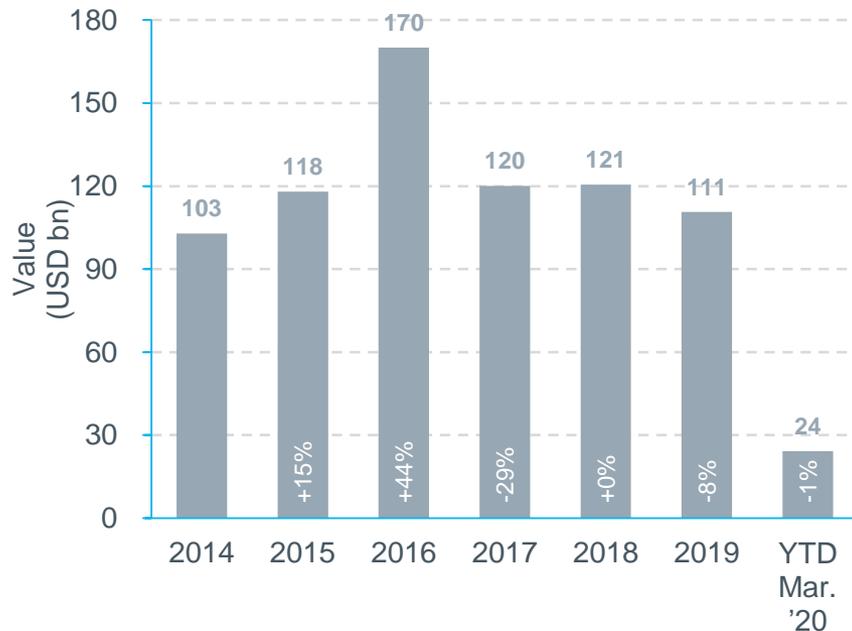
Note: All trademarks, trade names, or logos referenced herein are the property of their respective owners.

Source: SEC filings, company press releases and S&P Global Market Intelligence as of May 7, 2020

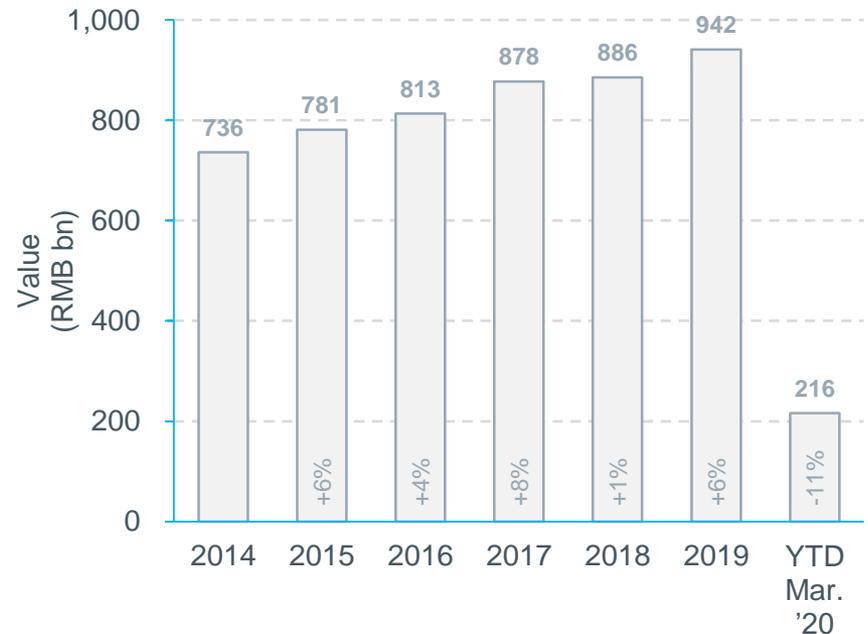
Cross-Border Investment

Chinese outbound direct investment declined 0.6% year-over-year for the first quarter of 2020; however, investment linked to the Belt and Road Initiative was up 11.7%, comprising 17.3% of the total. In 2019, China’s outbound direct investment declined 8.2%, primarily due to stricter government policies and guidelines for capital outflows. After years of steady growth, foreign direct investment into mainland China declined 10.8% year-over-year for Q1 2020, as economic and investment activity was stalled due to COVID-19. Despite the overall decline, foreign investment in China’s high-tech services sector was up 15.5% for the quarter.

Chinese Outbound Direct Investment



Foreign Direct Investment in China



Notable Cross-Border Transactions



In April 2020, South Korean grocery delivery startup company Kurly completed a USD 150 million funding round, led by existing investors, including Hillhouse Capital.



In March 2020, Beijing-based PE firm Hony Capital agreed to buy the Oceanwide Center mixed-use development project in San Francisco for USD 1.2 billion.



In March 2020, U.S.-based financial technology company iCapital Network announced the closing of a USD 146 million capital raise, led by Ping An Global Voyager Fund.



In March 2020, Tencent led a USD 240 million round of new financing in German air taxi startup Lilium.



In February 2020, Hope Education Group, a subsidiary of China Everbright, announced an agreement to acquire a 62% stake in Malaysia-based education provider Inti Education for USD 140 million.



In January 2020, UK-based fashion marketplace Farfetch raised USD 250 million in funding through the issuance of new convertible notes, with Tencent providing USD 125 million of the new capital.



U.S.-China Trade Update

Following the signing of the “phase one” trade deal, the U.S. and China have begun rolling back tariffs as outlined in the agreement. China has also committed to purchasing USD 200 billion of U.S. products over the next two years. It remains to be seen how further negotiations will progress, with talks stalled amid the COVID-19 pandemic.

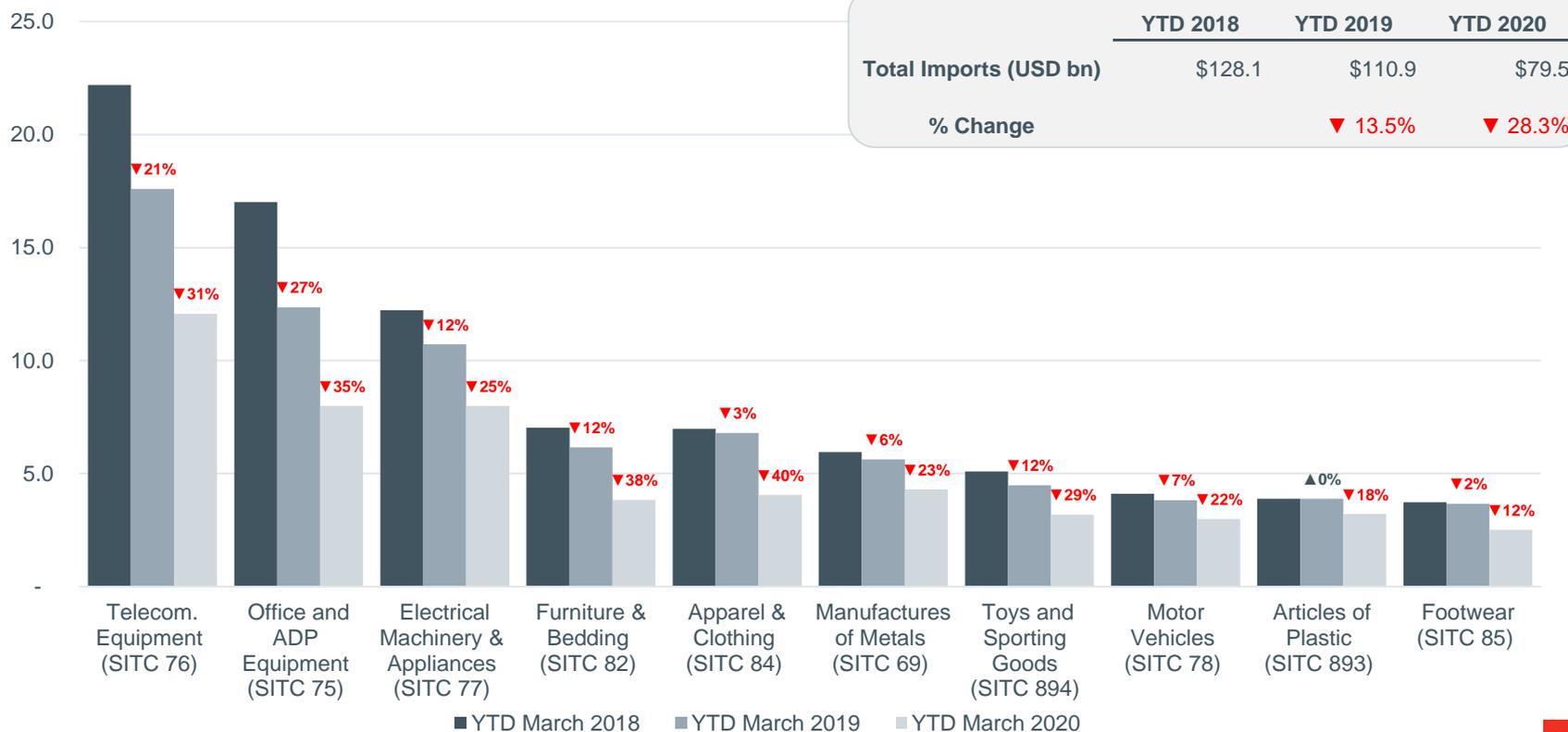
Timeline of U.S.-China Trade Developments

Jan 2020 15	U.S. and China sign phase one of trade deal <ul style="list-style-type: none">After announcing a deal in December 2019, trade delegations signed the agreement, which calls for tariff reductions by both sides, a Chinese pledge to purchase American products, and certain commitments regarding intellectual property protections and currency.
Feb 2020 6	China will halve tariffs on USD 75 billion of U.S. imports <ul style="list-style-type: none">As outlined in the phase one trade deal, China will halve import tariffs on 1,717 U.S. goods, including crude oil, meat products and soybeans.
Feb 2020 17	China grants further tariff exemptions on U.S. goods <ul style="list-style-type: none">China announced tariff exemptions on 696 U.S. imports as per the phase one trade deal. Chinese firms will submit applications for tariff exemption for imports including soybeans, ethanol, wheat, corn, certain metals and some medical devices.
Feb 2020 21	China unveils a new U.S. import tariff exemption list <ul style="list-style-type: none">The Chinese Customs Tariff Commission of the State Council released a list of goods to be exempt from tariffs for year starting February 28. Wood, laser machines, aircraft parts and medical equipment like non-invasive ventilators and temperature sensors in the new list.
Apr 2020 19	U.S. to suspend collection of some import tariffs for three months <ul style="list-style-type: none">The U.S. Treasury Department announced a 90-day suspension on the payment of tariffs for certain goods imported in March and April; however, tariffs on Chinese goods were not included in the deferral.
Apr 2020 30	President Trump threatens new tariffs on China <ul style="list-style-type: none">Potentially intensifying trade tensions that had previously diminished, President Trump indicated that he may seek new tariffs on China in relation to the coronavirus pandemic.

U.S.-China Trade Update

Total U.S. imports of Chinese goods fell 28.3% for the first three months of 2020, compared to the same period last year. The top two import product categories by value—telecommunications equipment and office and automatic data processing equipment—declined 31% and 35%, respectively. U.S. imports from China for electrical machinery and appliances, furniture and auto parts also showed substantial declines.

Top U.S. Imports From China (USD bn)

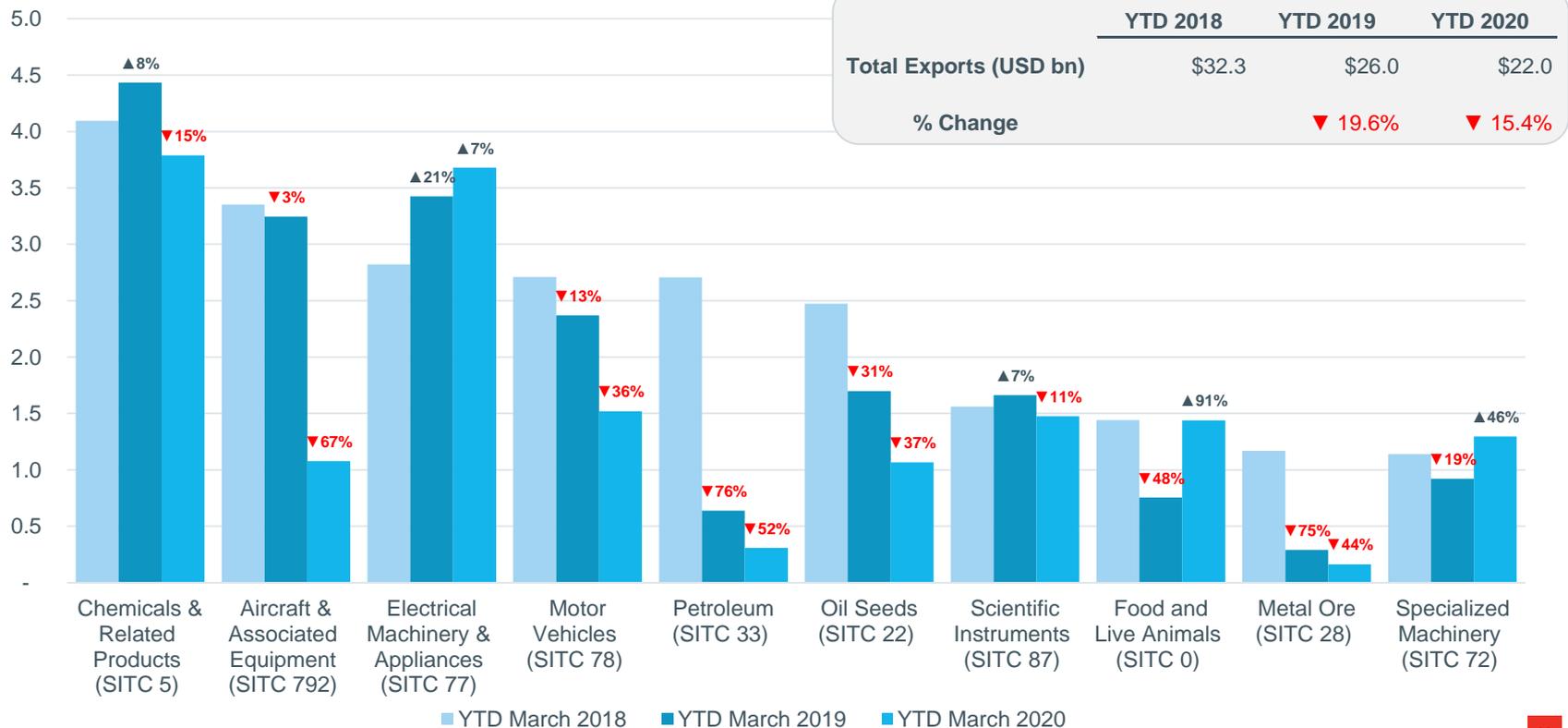


Source: U.S. Census Bureau

U.S.-China Trade Update

In aggregate, U.S. exports to China declined 15.4% for the first three months of the year, compared to the same period in 2019. Exports of petroleum products fell significantly as a result of weaker crude oil demand. Exports of aircraft products and motor vehicles also saw substantial declines.

Top U.S. Exports to China (USD bn)



Duff & Phelps Select Transaction Experience

Transaction Pending



received a going-private proposal from a buyer consortium, including

CENTURIUM CAPITAL

大征资本



Transaction Pending



received a going-private proposal from



Transaction Pending



received a going-private proposal from a buyer consortium including its management.

Fairness Opinion



was acquired in a going-private transaction by its chairman and



Fairness Opinion



invested USD 272 million in the Series D preferred shares of



Fairness Opinion



has been acquired by



Fairness Opinion



has been acquired by



Fairness Opinion



has been acquired by its chairman and by



Global Fairness Opinions Practice

Ranked No. 1 for Announced U.S. and Global Fairness Opinions in 2019 and over the past five years¹

Announced U.S. Fairness Opinions Rankings

	Ranking	Number of Credited Deals
1 Year: 2019	#1	44
3 Years: 2017–2019	#1	149
5 Years: 2015–2019	#1	238
10 Years: 2010–2019	#1	400

Source: Thomson Reuters

Announced Global Fairness Opinions Rankings

	Ranking	Number of Credited Deals
1 Year: 2019	#1	55
3 Years: 2017–2019	#1	186
5 Years: 2015–2019	#1	325
10 Years: 2010–2019	#1	519

Source: Thomson Reuters

¹Published in Thomson Reuters' "Global Mergers & Acquisitions Review - Full Year 2019"

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- Global expertise, with more than 70 offices worldwide, including in Beijing, Shanghai, Hong Kong, Guangzhou, Shenzhen, Taipei, Tokyo, London and New York
- Extensive experience advising public company boards of directors and special committees on going-private and related-party transactions
- Strong global M&A practice with significant experience advising on cross-border transactions and negotiating M&A transactions with buyers on behalf of special committees
- Independent and free of conflicts of interest

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