

China Transactions Insights

Spring 2018



Q Overview

Over the past five years, more than 60 companies listed on U.S. stock exchanges with business operations primarily in China have completed going-private transactions, with six transactions closed in 2017.

These transactions typically involve a controlling shareholder or founder, sometimes along with a larger consortium of investors, acquiring the remaining shares of the company from the minority shareholders.

Prices paid in going-private transactions over the past several years have usually reflected premiums to the recent trading prices of the target companies.¹ For transactions closed in 2017, the median premiums over the one-day prior trading price and the 30-day average trading price were 19.5% and 15.2%, respectively.²

As of year-end 2017, there were 137 China-based companies listed on the Nasdaq, NYSE and AMEX, with 21 companies completing IPOs during the year.

BY THE NUMBERS

66

66

66 going-private transactions have closed over the 5-year period from 2013 to 2017

\$7B

The total implied equity value of U.S.-listed China companies which completed going-private transactions in 2017 exceeded \$7 billion

21%

The median premium over trading price for closed going-private transactions from 2013 to 2017 was 21%

21

There were 21 IPOs of China-based companies on major U.S. exchanges in 2017

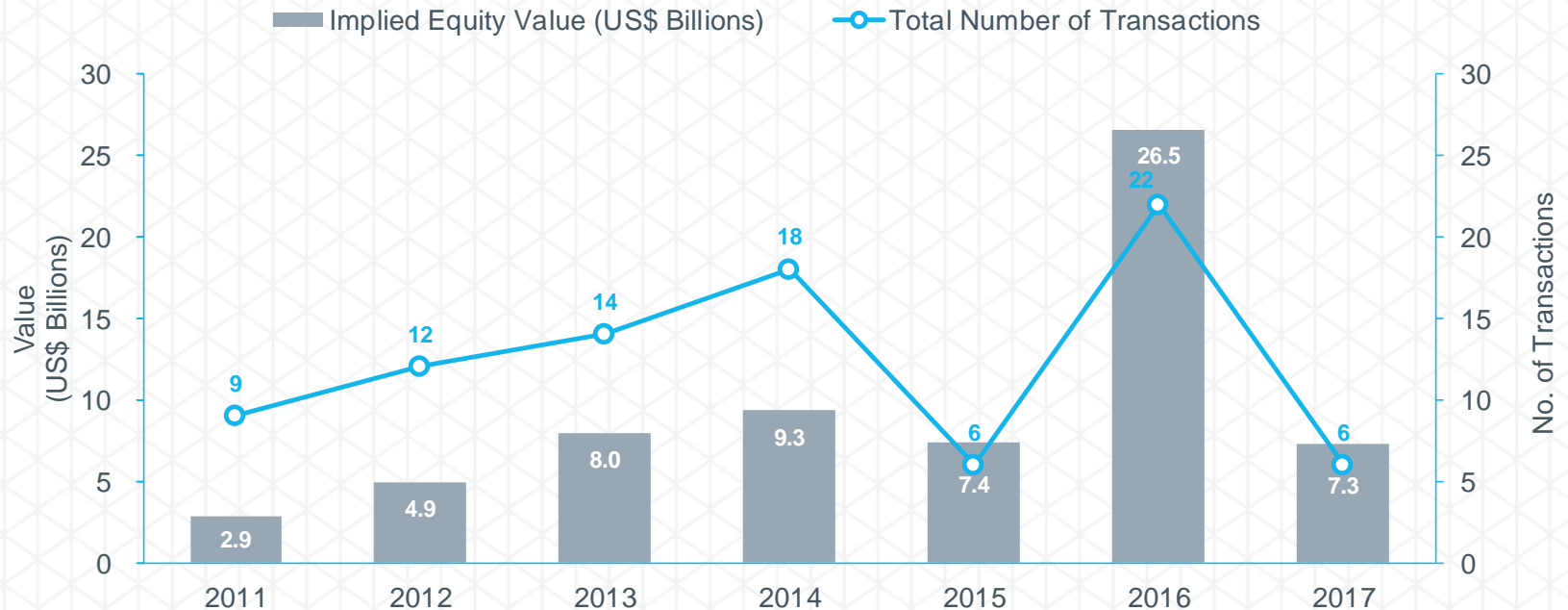
¹ See page 7 for a summary of premiums in going-private transactions from 2011 to 2017 (data from S&P Global Market Intelligence).

² Per data from S&P Global Market Intelligence.

Going-Private Transactions

There were six U.S.-listed Chinese company going-private transactions that closed in 2017, compared to 22 transactions in 2016. Total implied equity value for 2017 closed transactions was US\$7.3 billion, down from US\$26.5 billion in 2016. Going-private transaction announcements peaked in 2015, with 25 deals announced during the year (excluding canceled transactions), leading to the spike in closed deal volume in 2016.

Summary of Closed Transactions



Going-Private Transactions

The largest completed going-private transaction in 2017 involving a U.S.-listed company based in China was the acquisition of online travel services provider Qunar Cayman Islands Limited (NasdaqGM:QUNR) by Ocean Management Holdings Limited for approximately US\$4.4 billion. Other large going-private transactions completed in 2017 include the online recruitment services provider Zhaopin Limited (NYSE:ZPIN) and solar power products manufacturer Trina Solar Limited (NYSE:TSL), each for approximately US\$1.0 billion in total equity value.

2017 Closed Transactions

Closed Date	Company Name	Incorporation	Industry	Business Description	Implied Equity Value (US\$ MM)	Price to LTM Earnings Multiple	Premium as a % of ¹	
							1-Day Prior	30D VWAP
9/29/2017	Zhaopin Limited (NYSE:ZPIN)	Cayman Islands	Commercial and Professional Services	Operates an online platform providing various recruitment services; also offers campus recruitment, executive search and other services.	\$1,015	32.7x	14.2%	14.5%
5/15/2017	Synutra International, Inc. (NasdaqGS:SYUT)	Delaware	Household and Personal Products	Produces, distributes and sells dairy-based nutritional products under the Shengyuan or Synutra brand names.	\$343	23.0x	58.0%	30.9%
4/13/2017	KongZhong Corporation (NasdaqGS:KZ)	Cayman Islands	Software and Services	Provides digital entertainment services for consumers, including internet games, mobile games and wireless value-added services.	\$401	9.9x	21.2%	16.0%
3/13/2017	Trina Solar Limited (NYSE:TSL)	Cayman Islands	Semiconductors and Semiconductor Equipment	Operates as an integrated solar power products manufacturer and solar system developer.	\$1,038	22.8x	21.5%	18.9%
2/28/2017	Qunar Cayman Islands Limited (NasdaqGM:QUNR)	Cayman Islands	Retailing	Operates an online travel commerce platform in China.	\$4,441	N/M	15.0%	-0.2%
1/2/2017	eFuture Holding Inc. (NasdaqCM:EFUT)	Cayman Islands	Software and Services	Provides software and services to retail and consumer goods industries in China.	\$38	N/M	17.8%	10.1%

¹ Reflects premium over the closing price of the company's stock or ADS on the last trading day prior to the offer and the 30-day volume weighted average price prior to the offer.

Source: SEC filings, company press releases and S&P Global Market Intelligence as of December 31, 2017.

Going-Private Transactions

At the end of 2017, there were eight announced U.S.-listed China-based companies with pending going-private transactions that had not yet closed. Six of the eight pending deals were announced in 2017, including online games developer and operator Changyou.com Limited (NasdaqGS:CYOU), car rental and service provider eHi Car Services Limited (NYSE:EHIC), two Chinese solar power products manufacturers and two automotive components providers.

Pending Transactions

Announced Date	Company Name	Incorporation	Industry	Business Description
12/9/2017	Canadian Solar Inc. (NasdaqGS:CSIQ) ¹	Canada	Semiconductor	Designs, develops, manufactures and sells solar ingots, wafers, cells, modules and other solar power products.
11/26/2017	eHi Car Services Limited (NYSE:EHIC)	Cayman Islands	Transportation	Provides car rentals and car services to individuals and corporate and institutional clients in China.
6/6/2017	JA Solar Holdings Co., Ltd. (NasdaqGS:JASO)	Cayman Islands	Semiconductor	Designs, develops, manufactures and sells solar power products based on crystalline silicon technologies.
5/22/2017	Changyou.com Limited (NasdaqGS:CYOU)	Cayman Islands	Software and Services	Develops and operates online games in China.
5/14/2017	China Automotive Systems, Inc. (NasdaqCM:CAAS)	Delaware	Automobiles and Components	Manufactures and sells automotive systems and components in China, the United States and internationally.
2/16/2017	China XD Plastics Company Limited (NasdaqGM:CXDC)	Nevada	Automobiles and Components	Engages in the research, development, manufacture and sale of plastics primarily for automotive applications in China and the UAE.
6/6/2016	iKang Healthcare Group, Inc. (NasdaqGS:KANG)	Cayman Islands	Healthcare Equipment and Services	Provides preventive healthcare solutions in China, including medical examinations, other medical services and dental services.
1/30/2016	Sinovac Biotech Ltd. (NasdaqGS:SVA)	Antigua and Barbuda	Pharmaceuticals, Biotechnology and Life Sciences	Engages in the research, development, manufacture and commercialization of vaccines in China.

¹ Canadian Solar Inc. is headquartered in Canada, but a significant portion of its operations are in China. Source: SEC filings, company press releases and S&P Global Market Intelligence as of December 31, 2017.

Industry Sectors

From 2015 to 2017, the software and services sector led U.S.-listed China company going-private activity, with 13 transactions closed and a cumulative implied equity value of approximately US\$21.1 billion, which accounted for more than half of the total implied equity value of all going-private transactions closed during that period. There were four transactions in each of the retailing, consumer services, and semiconductor and related equipment sectors, accounting for a total implied equity value of approximately US\$8.1 billion over the 2015 to 2017 period.

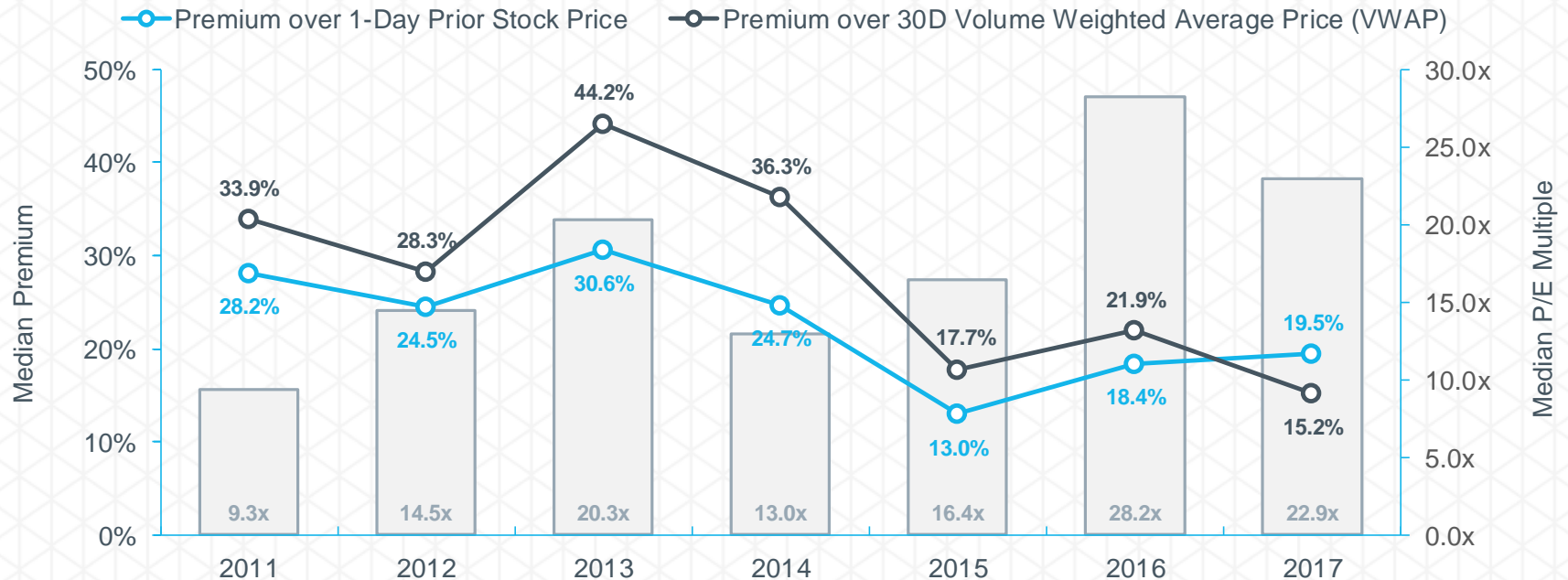
Going-Private Transactions by Industry (2015–2017)



Premiums and Implied Multiples

Observed premiums to trading prices for closed U.S.-listed China company going-private transactions have generally trended downward since 2014. The median premium to trading price from the day prior to transaction announcement over the 3-year period from 2015 to 2017 was 18.0%, compared to 26.4% across the previous 3-year period from 2012 to 2014. Implied price-to-earnings (P/E) multiples, however, have generally increased. The median price to LTM earnings multiple for closed transactions over the 2015 to 2017 period was 22.9x, versus 15.0x for transactions closed from 2012 to 2014.

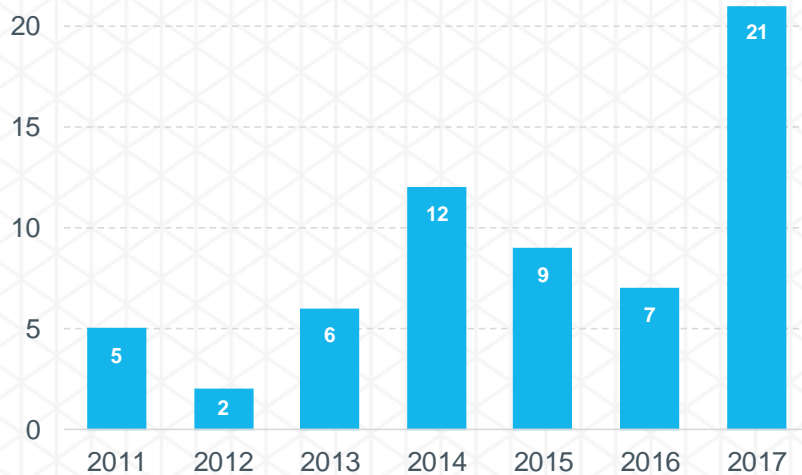
Going-Private Transaction Premiums and Implied P/E Multiples



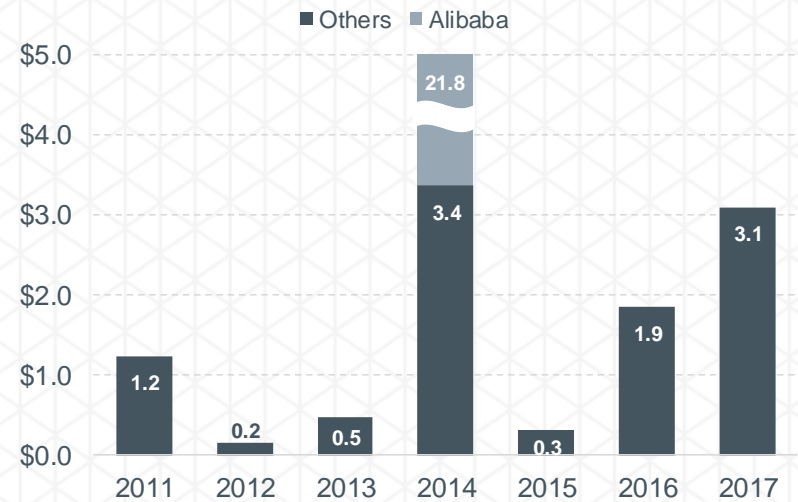
IPO Activity

For new U.S. listings of Chinese companies, 2017 was a robust year. Conditions were favorable for IPOs as broader equity markets continued to rise, with the S&P 500 Index up almost 20% since the start of the year. In the U.S. markets in 2017, 21 Chinese companies completed IPOs, three times the number of IPOs completed in 2016. Total funds raised in 2017 also saw a significant rise, increasing 67% from 2016 to approximately US\$3.1 billion.

Number of IPOs



Amount of IPO Funds Raised (US\$ B)



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

IPO Activity

Approximately one-third of the stocks sold in 2017 IPOs came from fintech companies, followed by education firms with about 20%. Investors showed an appetite for new stocks, with the majority of deals pricing within or above the marketed share price range. There were two IPOs larger than \$500 million in 2017, as Qudian raised approximately \$900 million in its IPO and Sogou raised approximately \$585 million.

2017 Completed IPOs

Pricing Date	Company Name	Ticker	Incorporation	Industry Sector	Gross Proceeds	Offer Price	Offer Price vs. Marketed Range	As of 12/31/2017		
								Stock Price	Market Capitalization (US\$ MM)	Price to LTM Earnings Multiple
12/20/2017	LexinFintech Holdings Ltd.	LX	Cayman Islands	Consumer Finance	\$108	\$9.00	Within	\$13.90	\$2,278	N/M
12/19/2017	Dogness (International) Corporation	DOGZ	British Virgin Islands	Apparel, Accessories and Luxury Goods	\$55	\$5.00	Within	\$5.90	\$153	N/A
11/29/2017	ReTo Eco-Solutions, Inc.	RETO	British Virgin Islands	Construction Materials	\$14	\$5.00	Within	\$7.05	\$160	N/A
11/15/2017	Jianpu Technology Inc.	JT	Cayman Islands	Consumer Finance	\$180	\$8.00	Below	\$6.48	\$1,069	N/A
11/9/2017	PPDAI Group Inc.	PPDF	Cayman Islands	Consumer Finance	\$221	\$13.00	Below	\$7.11	\$2,137	N/M
11/8/2017	Sogou Inc.	SOGO	Cayman Islands	Internet Software and Services	\$585	\$13.00	Within	\$11.57	\$5,051	62.2x
11/8/2017	Four Seasons Education (Cayman) Inc.	FEDU	Cayman Islands	Education Services	\$101	\$10.00	Within	\$9.00	\$432	56.3x
11/2/2017	Hexindai Inc.	HX	Cayman Islands	Internet Software and Services	\$50	\$10.00	Within	\$11.05	\$530	17.3x

2017 Completed IPOs - Continued

Pricing Date	Company Name	Ticker	Incorporation	Industry Sector	Gross Proceeds	Offer Price	Offer Price vs. Marketed Range	As of 12/31/2017		
								Stock Price	Market Capitalization (US\$ MM)	Price to LTM Earnings Multiple
10/19/2017	RISE Education Cayman Ltd	REDU	Cayman Islands	Education Services	\$160	\$14.50	Above	\$14.79	\$813	15.4x
10/18/2017	Qudian Inc.	QD	Cayman Islands	Consumer Finance	\$900	\$24.00	Above	\$12.54	\$4,139	13.1x
9/26/2017	RYB Education, Inc.	RYB	Cayman Islands	Education Services	\$144	\$18.50	Above	\$16.88	\$484	60.2x
9/21/2017	Secoo Holding Limited	SECO	Cayman Islands	Internet and Direct Marketing Retail	\$111	\$13.00	Within	\$9.66	\$495	N/M
9/21/2017	TDH Holdings, Inc.	PETZ	British Virgin Islands	Packaged Foods and Meats	\$6	\$4.25	Within	\$5.64	\$53	30.0x
9/20/2017	Zai Lab Limited	ZLAB	Cayman Islands	Biotechnology	\$150	\$18.00	Within	\$21.23	\$1,047	N/M
9/15/2017	Dragon Victory International Limited	LYL	Cayman Islands	Internet Software and Services	\$9	\$6.00	N/A	\$4.36	\$50	25.6x
8/30/2017	ZK International Group Co., Ltd.	ZKIN	British Virgin Islands	Steel	\$5	\$5.00	N/A	\$9.80	\$127	16.8x
7/28/2017	China Internet Nationwide Financial Services Inc.	CIFS	British Virgin Islands	Investment Banking and Brokerage	\$20	\$10.00	N/A	\$41.95	\$924	48.4x
7/27/2017	Newater Technology, Inc.	NEWA	British Virgin Islands	Industrial Machinery	\$7	\$5.00	Within	\$9.39	\$101	39.5x
6/19/2017	Bison Capital Acquisition Corp.	BCAC	British Virgin Islands	Asset Management and Custody Banks	\$53	\$10.00	N/A	\$9.87	\$24	N/A
5/17/2017	Bright Scholar Education Holdings Limited	BEDU	Cayman Islands	Education Services	\$158	\$10.50	Above	\$18.67	\$2,189	75.0x
4/27/2017	China Rapid Finance Limited	XRF	Cayman Islands	Consumer Finance	\$60	\$6.00	Below	\$5.72	\$370	N/M

U.S.-Listed China Companies

Of the 137 China-based companies listed on major U.S. exchanges as of December 31, 2017, approximately two-thirds of them trade on the Nasdaq, one-third on the NYSE and several companies on the AMEX. Over a quarter of the U.S.-listed Chinese companies are internet-related firms, capturing over 75% of the total market capitalization. Roughly 60% of the firms are incorporated in the Cayman Islands, with the other firms primarily incorporated in the British Virgin Islands and the United States.

Summary of Listed Companies

Industry Sector	# of Companies	Total Market Cap (US\$ mm)	Exchange	# of Companies	Total Market Cap (US\$ mm)
Software and Services	33	\$653,301	Nasdaq	90	\$296,531
Consumer Services	15	63,257	NYSE	43	558,794
Diversified Financials	14	18,092	AMEX	4	67
Materials	11	564	Total	137	\$855,392
Retailing	9	90,171			
Food, Beverage and Tobacco	7	398			
Semiconductors and Semiconductor Equipment	6	2,868			
Capital Goods	6	233			
Pharmaceuticals, Biotechnology and Life Sciences	5	3,683			
Automobiles and Components	5	900	Incorporation	# of Companies	Total Market Cap (US\$ mm)
Consumer Durables and Apparel	5	408	Cayman Islands	80	\$830,393
Technology Hardware and Equipment	4	1,578	British Virgin Islands	24	4,355
Commercial and Professional Services	3	4,095	Nevada	15	1,084
Healthcare Equipment and Services	3	1,258	Delaware	10	17,945
Real Estate	3	955	Florida	3	112
Transportation	2	12,116	Canada	1	978
Media	2	86	Antigua and Barbuda	1	449
Insurance	1	1,335	Hong Kong	1	63
Household and Personal Products	1	48	Maryland	1	5
Food and Staples Retailing	1	31	Marshall Islands	1	7
Energy	1	15	Total	137	\$855,392
Total	137	\$855,392			

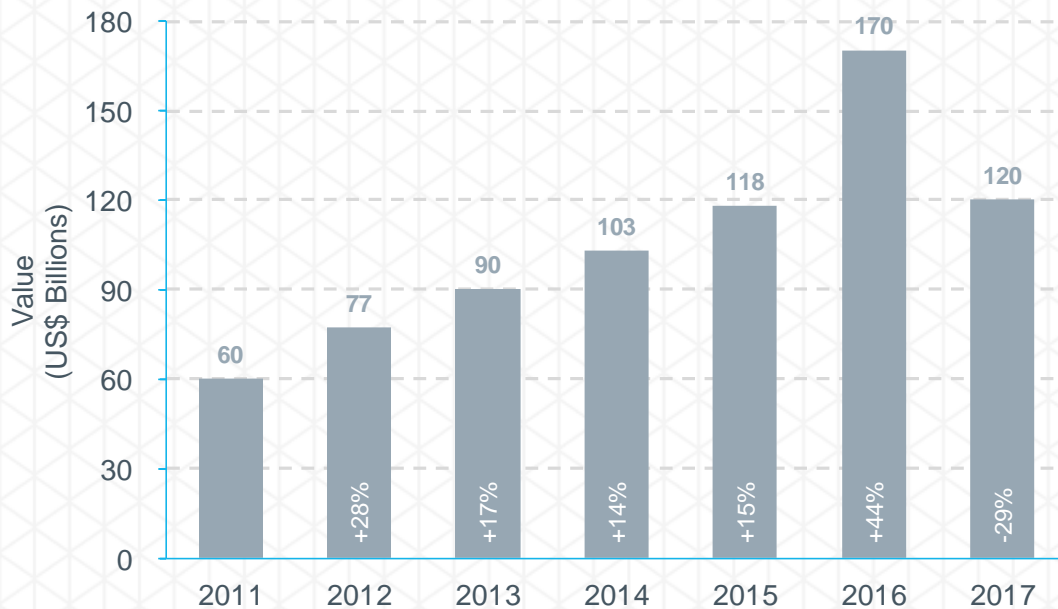
Top 10 Companies by Market Capitalization

Company Name	Incorporation	Industry Sector	Business Description	Market Capitalization (US\$ MM)	% of 52-Week High	Price to LTM Earnings Multiple
Alibaba Group Holding Limited (NYSE:BABA)	Cayman Islands	Software and Services	Operates as an online and mobile commerce company in China and internationally.	\$442,426	89.9%	48.8x
Baidu, Inc. (NasdaqGS:BIDU)	Cayman Islands	Software and Services	Provides internet search services in China and internationally.	\$81,324	85.2%	30.8x
JD.com, Inc. (NasdaqGS:JD)	Cayman Islands	Retailing	Operates as an e-commerce company in China.	\$58,981	84.5%	N/M
NetEase, Inc. (NasdaqGS:NTES)	Cayman Islands	Software and Services	Operates an interactive online community, offering online game services, advertising services, email, e-commerce and other services.	\$45,294	91.4%	23.2x
Ctrip.com International, Ltd. (NasdaqGS:CTRP)	Cayman Islands	Retailing	Provides travel service for accommodation reservations, transportation ticketing, packaged tours and corporate travel management in China.	\$23,093	72.7%	68.1x
Weibo Corporation (NasdaqGS:WB)	Cayman Islands	Software and Services	Operates as a social media platform for people to create, distribute and discover Chinese-language content.	\$22,887	84.1%	88.5x
Yum China Holdings, Inc. (NYSE:YUMC)	Delaware	Consumer Services	Owns, operates and franchises restaurants in China under the KFC, Pizza Hut, Taco Bell, East Dawning and Little Sheep brands.	\$15,379	91.9%	29.4x
TAL Education Group (NYSE:TAL)	Cayman Islands	Consumer Services	Provides K-12 after-school tutoring services covering various academic subjects in China.	\$14,880	82.2%	N/M
New Oriental Education & Technology Group Inc. (NYSE:EDU)	Cayman Islands	Consumer Services	Provides private educational services in China, including test preparation courses, after-school tutoring courses, language training courses and other services.	\$14,863	98.5%	50.8x
ZTO Express (Cayman) Inc. (NYSE:ZTO)	Cayman Islands	Transportation	Provides express delivery and other value-added logistics services in China.	\$11,306	87.7%	29.0x

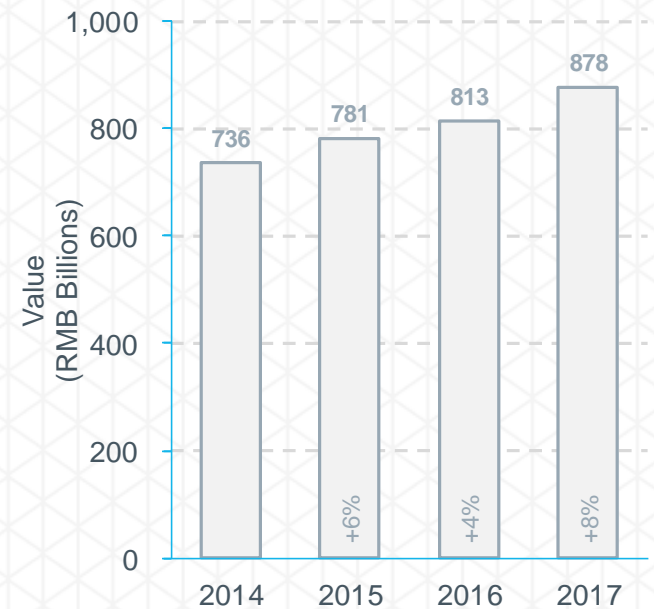
Cross-Border Transactions

After reaching a record high of US\$170 billion in 2016, Chinese outbound investment declined 29% to approximately US\$120 billion in 2017. The drop came after the Chinese government tightened regulations and scrutiny on outbound investments. China’s new rules for overseas investment generally restrict certain investment types, such as real estate and entertainment, while encouraging others, such as technology and projects linked to its Belt and Road infrastructure initiative. Meanwhile, foreign direct investment into China has risen steadily over the past three years, increasing 8% in 2017 to approximately RMB 878 billion.

Chinese Outbound Direct Investment



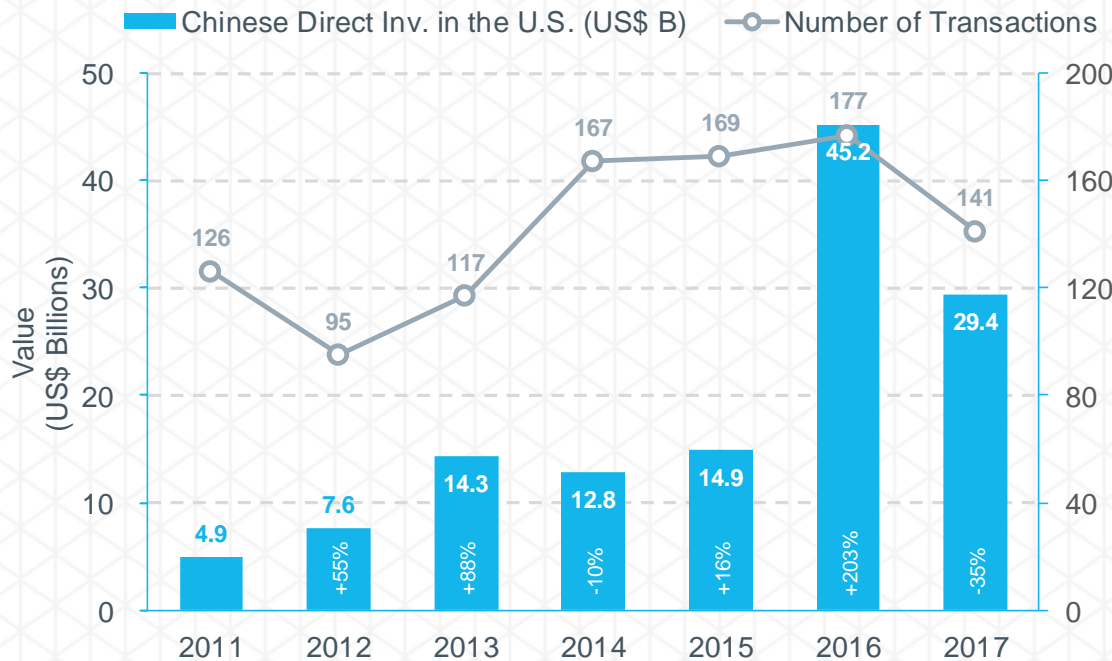
Foreign Direct Investment in China



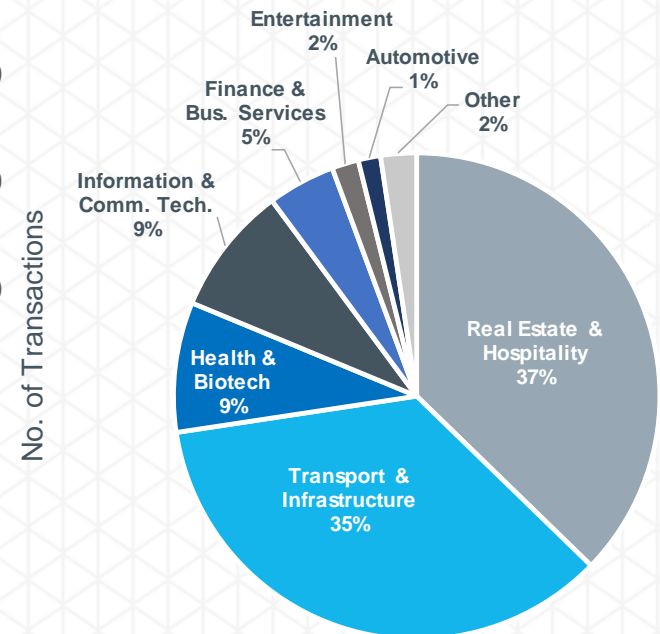
Cross-Border Transactions

Chinese direct investment in the United States was approximately US\$29 billion in terms of completed deals in 2017, a significant decline from 2016 but still the second highest year on record. Real estate and hospitality, entertainment, consumer and electronics sectors saw the largest declines, with completed transaction value declining by roughly US\$4 billion to US\$5 billion for each. Transaction value in the transportation and infrastructure sector had the largest increase, up over US\$4 billion from 2016.

Chinese Direct Investment in the U.S.



2017 Chinese Inv. in the U.S. by Industry



Notable Cross-Border Transactions – China/U.S.



In March 2017, HNA Group completed the acquisition of a 25% stake in the U.S. hospitality company Hilton Worldwide Holdings from Blackstone for \$6.5 billion.



In April 2017, HNA Group subsidiary Avolon Holdings acquired the aircraft leasing business of the U.S. financial holding company CIT Group Inc. for \$10.4 billion.



In May 2017, China Life Investment Holding Company acquired a 95% interest in 48 single-tenant industrial, office and healthcare properties from U.S. real estate investment firm ElmTree Funds for \$950 million.



In July 2017, CITIC Group and The Carlyle Group completed the acquisition of an 80% stake in the China and Hong Kong operations of McDonald's Corp. for approximately \$1.7 billion.



In June 2017, Sanpower Group Co., Ltd. completed its \$820 million acquisition of the U.S. biotechnology company Dendreon Pharmaceuticals, which had been announced in January 2017.



In September 2017, Humanwell Healthcare and AGIC Capital completed a \$605 million acquisition of The Ritedose Corporation, a U.S. pharmaceutical firm.



In August 2017, a consortium led by Yunfeng Financial Group Ltd. agreed to purchase an Asia business unit from U.S.-based MassMutual Life Insurance for \$1.7 billion.



In April 2017, a Chinese private equity consortium led by Beijing Shanhai Capital Management completed the \$500 million acquisition of Analogix Semiconductor, a U.S. mixed-signal integrated circuits developer.

Notable Cross-Border Transactions – China/Europe



In May 2017, China National Chemical Corporation completed its \$43 billion acquisition of the Swiss pesticides and seeds company Syngenta AG, which had been announced in February 2016.



In June 2017, sovereign wealth fund China Investment Corporation agreed to acquire Logikor, a Europe-based warehouse and logistics company, from Blackstone for approximately \$13.8 billion.



In May 2017, Chinese conglomerate HNA Group became the largest shareholder of Deutsche Bank AG with approximately 9.9% ownership.



In March 2017, Creat Group made a tender offer to acquire the German blood plasma products maker Biotest AG for approximately \$1.3 billion.

Notable Cross-Border Transactions – China/Other Asia



In July 2017, Singapore-listed Global Logistic Properties, Asia's largest warehouse operator, agreed to an acquisition by a Chinese private equity consortium for approximately \$11.6 billion.



In October 2017, Ningbo Joyson Electronics subsidiary KSS agreed to acquire all assets of Takata Corporation, an automotive safety systems and products supplier based in Japan, for approximately \$1.6 billion.



In September 2017, HNA Group made a bid to acquire the Singapore logistics firm CWT Ltd. for approximately \$1 billion.



In October 2017, Shanghai Fosun Pharmaceutical Group acquired a 74% stake in Indian drug company Gland Pharma Ltd. for \$1.1 billion.

Duff & Phelps' Ongoing and Recent Transactions

Transaction Pending



received a going-private proposal from its chairman and



Transaction Pending



received a going-private proposal from its chairman.

Fairness Opinion



has been acquired by



Fairness Opinion



has been acquired by



Buy Side Advisor



has been acquired by its Chairman and Shanghai Xingsheng Equity Investment.

Fairness Opinion



has been acquired by its Chairman and



Fairness Opinion



has sold its interest in



Fairness Opinion



has completed a related-party transaction with



Global Fairness Opinions Practice

Ranked #1 for Announced U.S. and Global Fairness Opinions in 2017 and over the past five years¹

Announced U.S. Fairness Opinions Rankings

	Ranking	Number of Credited Deals
One Year: 2017	#1	53
Three Years: 2015–2017	#1	136
Five Years: 2013–2017	#1	202
Ten Years: 2008–2017	#1	357

Source: Thomson Reuters.

Announced Global Fairness Opinions Rankings

	Ranking	Number of Credited Deals
One Year: 2017	#1	65
Three Years: 2015–2017	#1	203
Five Years: 2013–2017	#1	288
Ten Years: 2008–2017	#1	464

Source: Thomson Reuters.

¹Published in Thomson Reuters' "Full Year 2017 Mergers & Acquisitions Review."

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Independent and free of conflicts of interest

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