

A panoramic view of the Shanghai skyline at sunset, featuring the Oriental Pearl Tower, the Shanghai Tower, and the Shanghai World Financial Center. The sky is a mix of blue and orange, and the water in the foreground is dark blue.

DUFF & PHELPS  
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# China Transactions Insights

Fall 2021

# OVERVIEW

China has stepped into the second stage of recovery from the COVID-19 pandemic as businesses and people returned to work, demonstrated by a 12.7% increase in GDP for H1 2021. The economy also recorded increases in industrial output (15.9%), retail sales (23.0%), foreign trade (27.1%) and property investment (15.0%) in H1 2021.<sup>1</sup>

New policies and regulatory actions increasing scrutiny on offshore-listed Chinese companies have created uncertainty and weighed on the stock prices of many Chinese firms traded on U.S. exchanges.

Capital markets activity for Chinese companies has picked up since mid-2020 as markets rebounded from the initial impact of the pandemic. While IPO activity for Chinese companies in the U.S. and Hong Kong has been strong through August, uncertainty remains due to the potential for stricter policies and regulations for offshore listings.<sup>2</sup>

Going-private transaction deal value for U.S.-listed companies based in China could see an uptick in the months ahead, as companies with pending going-private proposals represented over USD 12 billion in total market capitalization as of August 31, 2021.<sup>2</sup>

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<sup>1</sup> China National Bureau of Statistics and China Ministry of Commerce

<sup>2</sup> SEC filings, company press releases and S&P Global Market Intelligence as of August 31, 2021

# Market Index Performance

After reaching low points in early March 2021, China market indices saw some modest improvement over the next several months until dropping in the July to August period. U.S. equity markets, meanwhile, have continued to demonstrate strong performance through August.

## Year-to-Date (YTD) U.S. and China Market Index Performance



# Market Index Performance

International equity markets recovered gradually with vaccination rates trending upward around the world. While most international indices have climbed moderately since February 2021 and reached near highs for the year in August, the Shanghai Composite Index was only slightly up from its year-end 2020 level as of August 31, 2021.

## YTD International Index Performance



# Recovery from COVID-19

## China H1 2021 Economic Indicators

Indicator	H1 2021 Metric <sup>1</sup>	Commentary
GDP Growth	▲ 12.7%	China has aimed for an economic expansion of over 6% in 2021. It also aims to create more than 11 million new urban jobs and expand domestic demand and effective investment, which are expected to put the economy firmly back to pre-pandemic vibrancy.
Fiscal Revenue	▲ 21.8%	Fiscal revenue rose 8.6% from the corresponding pre-pandemic level in 2019. Fiscal expenditure increased 4.5% in the first six months from a year earlier to 12.17 trillion yuan.
Foreign Trade	▲ 27.1%	China's foreign trade rose to 18.07 trillion yuan (about USD 2.79 trillion) in the first half of the year, marking a record performance. Exports jumped 28.1% from a year earlier, while imports climbed 25.9% in yuan terms.
Industrial Output	▲ 15.9%	Among the three major sectors—manufacturing, mining, and production and supply of utilities—the manufacturing sector's output showed the fastest growth, climbing 17.1% year-over-year in June.
Industrial Profits	▲ 66.9%	The high-tech manufacturing sector saw faster-than-average growth, while producers of consumer goods saw accelerated profit recovery in the first half of the year.
Retail Sales	▲ 23.0%	Online retail sales jumped 23.2% year-over-year in the first six months of the year, bringing the two-year average growth to 15%, faster than the pace seen in Q1.
Foreign Direct Investment	▲ 28.7%	Foreign investment in the service industry came in at 482.77 billion yuan during the period, up 33.4% year-over-year, with foreign investment in the high-tech services sector rising 42.7%.
Property Investment	▲ 15.0%	Commercial housing sales rose 27.7% year-over-year in terms of floor area to 886.35 million square meters. In terms of value, commercial housing sales climbed 38.9% year-over-year.

<sup>1</sup> Reflects year-over-year change

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

# Recovery from COVID-19

“Considering the supply-demand cycle, market confidence and the increasingly strong domestic demand, China's economy is expected to **maintain the recovery trend in the second half of 2021.**”

– Liu Aihua, Spokesperson for China's National Bureau of Statistics (July 2021)

“Various industries are deepening digitalization across customer engagement, operations, production, and supply chain, particularly after COVID-19. Meanwhile, enterprises **widely adopted online collaboration tools** internally to improve their efficiency.”

– Martin Lau, President of Tencent Holding Ltd. (May 2021)

“We believe in the growth of the Chinese economy and long-term value creation of Alibaba, and we will continue to strengthen our technology advantage in improving the consumer experience and helping our enterprise customers to accomplish **successful digital transformations.**”

– Daniel Zhang, Chairman and Chief Executive Officer of Alibaba Group (June 2021)

“With Trip.com Group's global supply chain and strong brand partnerships, we are in a great position to help European destination partners' **leverage our platform and audience to support their growth.**”

– James Liang, Chairman and Co-Founder of Trip.com Group Limited (July 2021)

“During Labor Day holiday, our RevPAR recorded 25% growth compared with the same period of 2019. As the vaccination process is taking place smoothly in China, we are confident that China's economy will further **recover from the pandemic and drive growth of business travel.**”

– Qi Ji, Founder and CEO of Huazhu Group Limited (May 2021)

“The investment growth was fueled by robust external demand. With the global economic recovery gaining traction since early this year, **China's exports have seen robust growth.** Mid- and long-term credit for manufacturing businesses, too, grew, further underpinning the sector's recovery.”

– Wen Bin, Chief Researcher at China Minsheng Bank (June 2021)

“China National Biotec Group, the subsidiary of Sinopharm which developed its COVID-19 shot, will **make similar submissions for a Delta-targeting vaccine.**”

– Zhang Yuntao, Vice President of China National Biotec Group (August 2021)

# Recent Developments and Regulations in China

## China's Three-Child Policy to Improve Demographic Structure

**June 1, 2021** — China released a new policy raising its limit to three children per couple.

The policy is expected to maximize the population's role in driving economic and social growth and address the risks of a downward trend in fertility, according to the country's health authority.

Statistics from the National Health Commission showed that the proportion of China's population aged 60 years and older is expected to triple from over 10% in the late 1990s to over 30% around 2035. According to the policy release, the shift in policy is intended to improve the age structure of the population and increase the supply of a new labor force.

## China Education Sector Regulations

**July 23, 2021** — News agencies reported Chinese government regulations on the education sector, leading to substantial declines in stock prices for China-based education companies listed offshore. U.S.-listed shares of TAL Education Group and New Oriental Education & Technology Group Inc. declined 70.8% and 54.2%, respectively, while Hong Kong-listed Koolearn Technology Holding Limited and Scholar Education Group declined 28.1% and 28.5%, respectively.

**July 24, 2021** — China released a new policy governing the after-school tutoring industry to reduce the burden on children and parents and further standardize tutoring and training programs.

Among other provisions, the new policy requires certain institutions to register as nonprofit organizations, prohibits “subject-based” training institutions from utilizing the capital markets for financing, ends new licenses for school curriculum tutoring, prohibits foreign investors from investing in “subject-based” training institutions via variable interest entity structures, and implements maximum class durations and restrictions on weekend or holiday classes for “subject-based” training.

**July 26, 2021** — Stock price declines for China-based education companies listed in the U.S. and Hong Kong continued, with TAL Education, New Oriental Education, Koolearn and Scholar Education closing down 26.7%, 33.8%, 33.4% and 45.5%, respectively.

# Recent Developments and Regulations in China..

## “Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law”

**July 6, 2021** — China released a new set of securities guidelines, indicating that the country will increase its scrutiny of publicly listed Chinese companies.

The measures, which include 30 rules, are designed to crack down on illegal securities practices, improve regulation of cross-border data flows and data security, and punish issuance of fraudulent securities, market manipulation and insider trading. As part of the new guidelines, China will also check funding sources for securities investment and seek to control leverage ratios.

The new guidelines could allow for greater scrutiny and regulation of offshore-listed Chinese companies with variable interest entity structures, which have not been subject to the same level of scrutiny as companies listed in China.

## Cybersecurity Investigations and Regulations

**July 2, 2021** — Two days after the USD 4.4 billion IPO of Chinese ride-hailing company DiDi Global Inc. on the New York Stock Exchange, the Cyberspace Administration of China (CAC) launched a cybersecurity review of DiDi and suspended the registration of new users for the company. DiDi’s shares closed down 5.3% from the previous day.

**July 4, 2021** — The CAC ordered the removal of DiDi’s app from mobile stores in China due to alleged illegal collection of customer data.

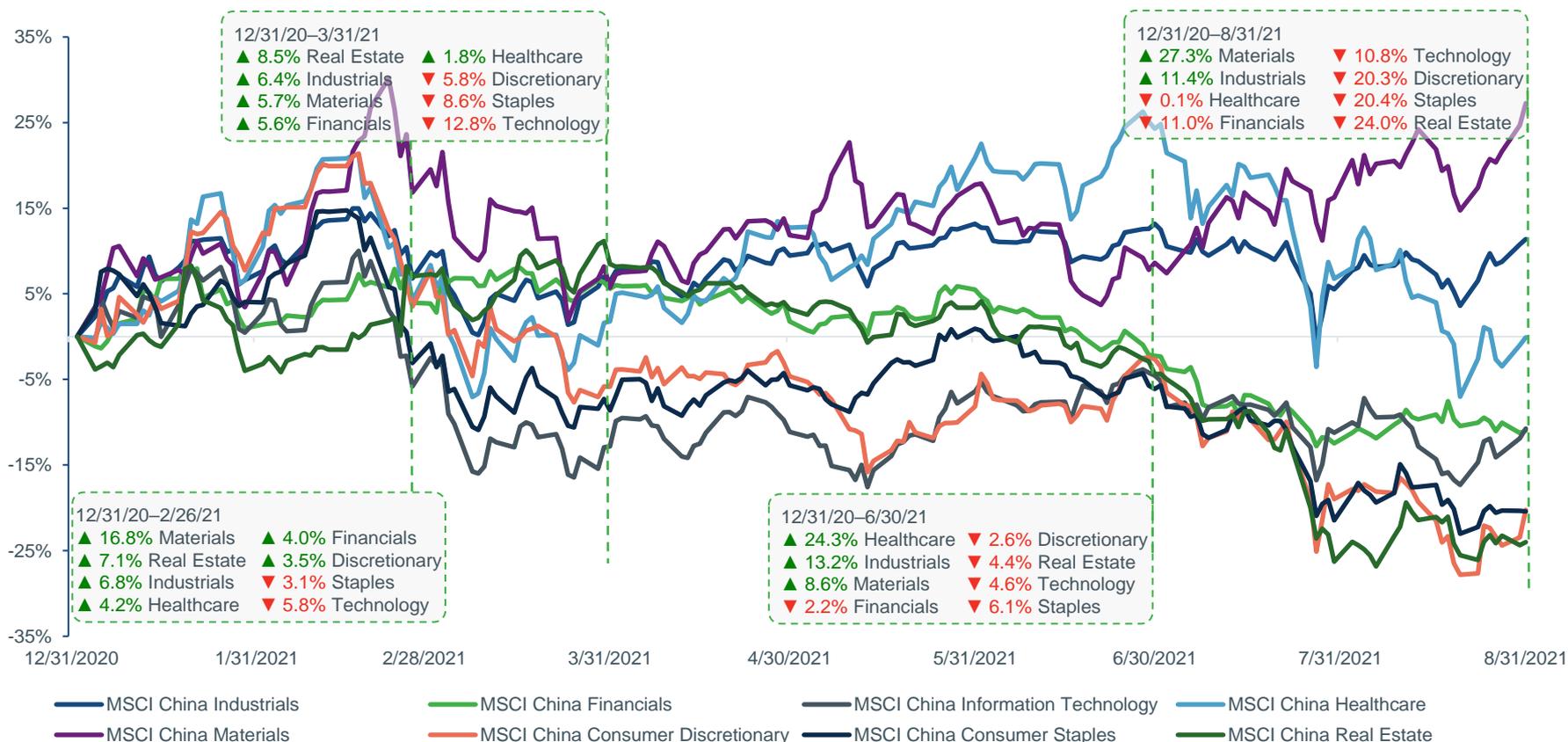
**July 5, 2021** — The CAC announced cybersecurity investigations into other U.S.-listed Chinese companies, including online recruitment company Kanzhun Ltd. and truck-hailing company Full Truck Alliance Co. Ltd., which both completed IPOs in June.

**July 6, 2021** — On the first trading day after the regulatory actions the stock prices of DiDi, Kanzhun and Full Truck Alliance closed down 19.6%, 15.9% and 6.7%, respectively. Concurrent with the announcement of new securities regulations, other U.S.-listed Chinese companies’ stock prices were also affected, with shares of property brokerage firm KE Holdings Inc. down 10.3%, streaming platform Bilibili Inc. down 9.1% and e-retailer Pinduoduo Inc. down 5.1%.

# Industry Sector Performance

Demand for raw materials fueled strong stock price performance for Chinese companies in the materials sector through August 2021, while the industrials sector has also posted positive YTD returns. Meanwhile, real estate, consumer, technology and financials sectors have declined since year-end 2020.

## China Industry Sectors: Stock Price Performance

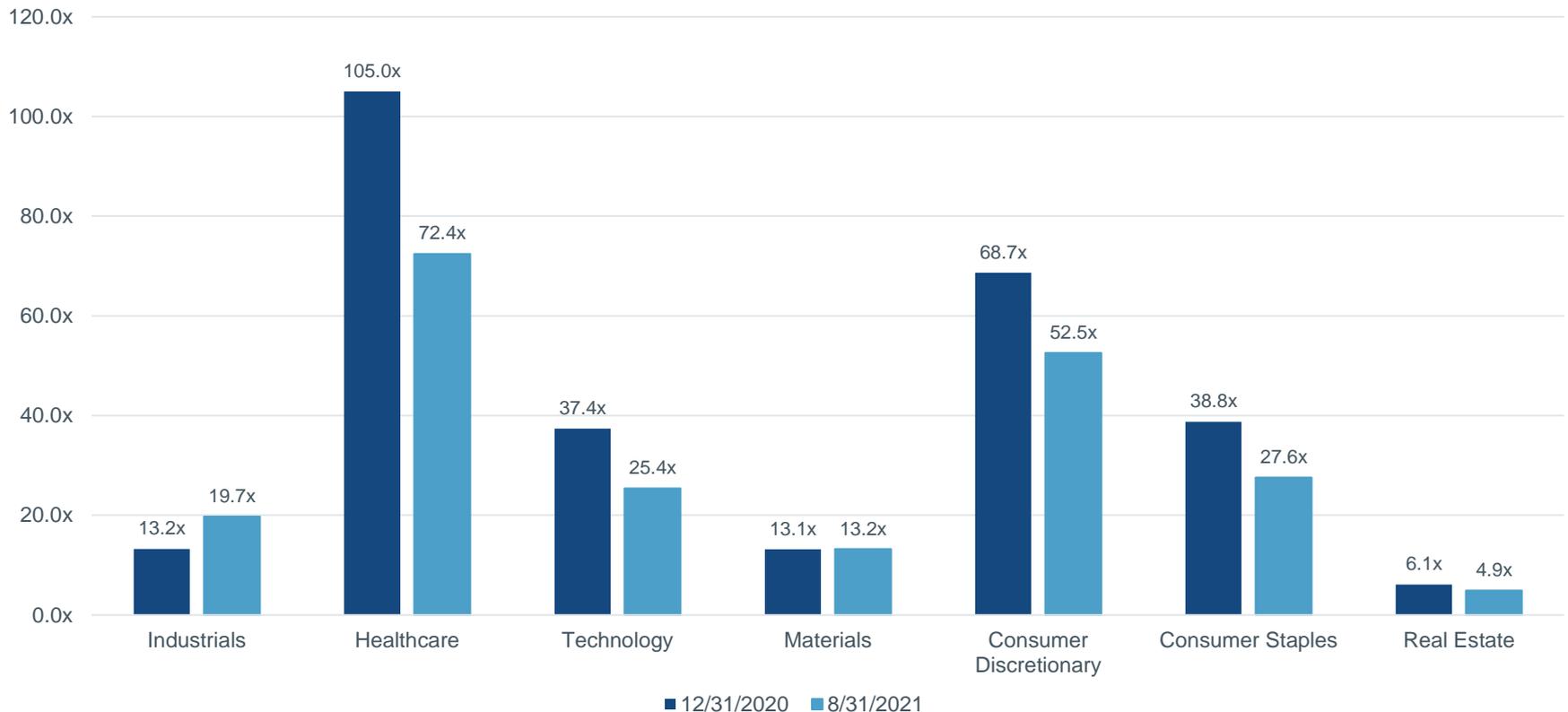


Note: Industry sector data reflects MSCI China industry sector indices.  
Source: Bloomberg, MSCI index data and S&P Global Market Intelligence as of August 31, 2021

# Industry Sector Performance

As of August 31, 2021, earnings multiples for Chinese companies were lower overall than those at the end of 2020, with an average of 30.8x compared to 40.3x for year-end 2020. Healthcare, technology, consumer discretionary, consumer staples, and real estate sectors showed declines in earnings multiples since December 2020, while multiples for the industrials and materials sectors increased.

## China Industry Sectors: Price/LTM Earnings Multiples



LTM = Latest Twelve Months

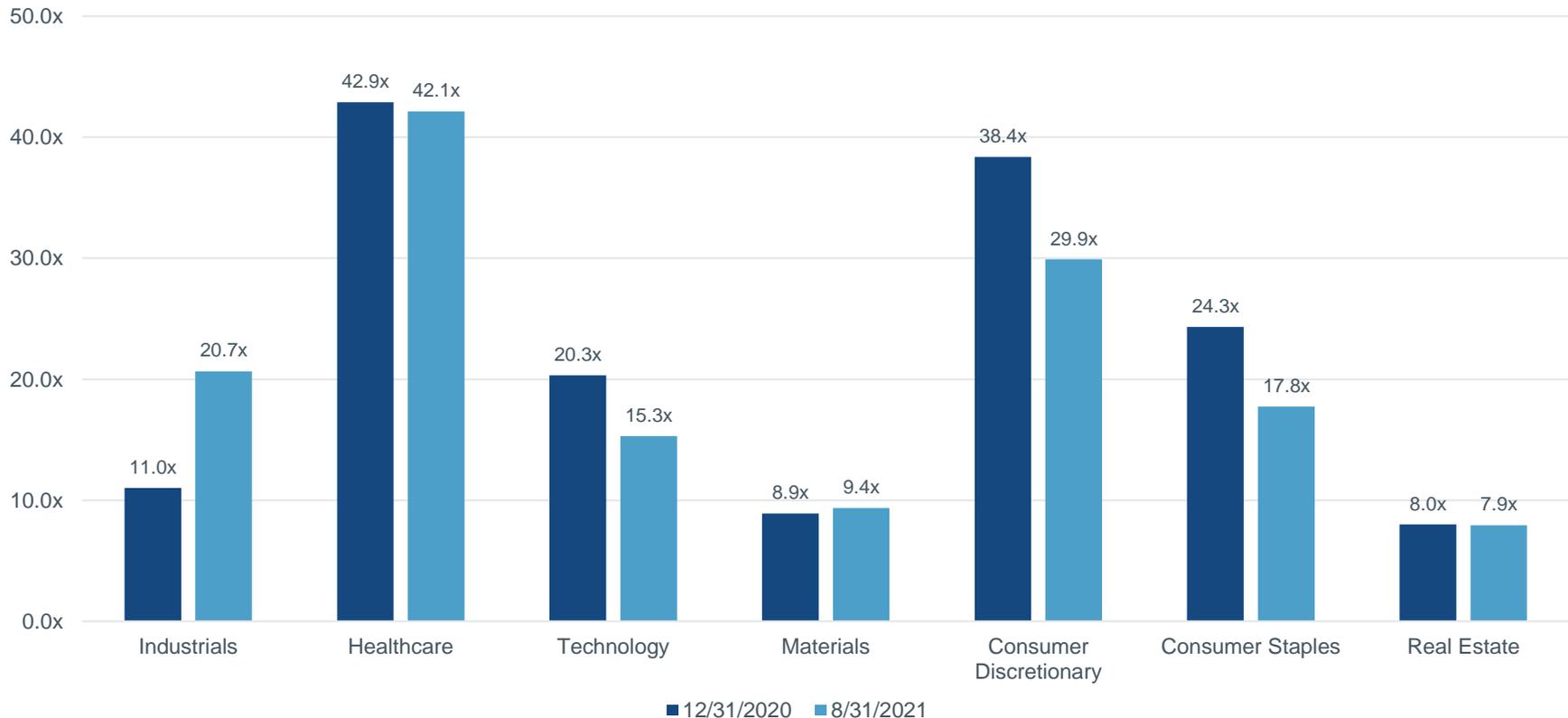
Note: Industry sector data reflects MSCI China industry sector indices.

Source: Bloomberg, MSCI index data and S&P Global Market Intelligence as of August 31, 2021

# Industry Sector Performance

Trailing EBITDA multiples for Chinese companies decreased on average 7% from year-end 2020 to August 31, 2021. Healthcare, technology, consumer discretionary, and consumer staples showed declines in EBITDA multiples, with multiples for the industrials and materials sectors showing improvement through August.

## China Industry Sectors: Enterprise Value/LTM EBITDA Multiples

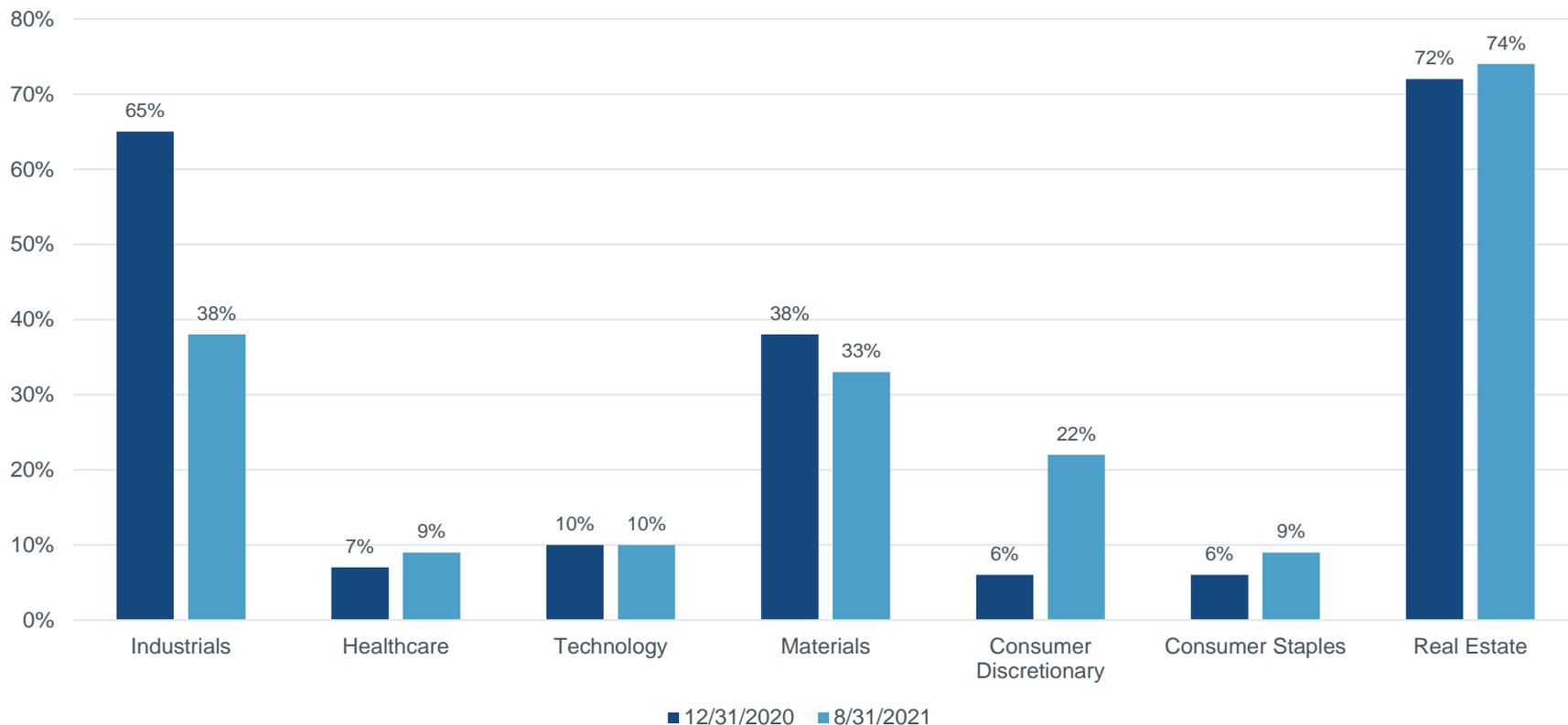


EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization  
 Note: Industry sector data reflects MSCI China industry sector indices.  
 Source: Bloomberg, MSCI index data and S&P Global Market Intelligence as of August 31, 2021

# Industry Sector Performance

Leverage ratios across most Chinese industry sectors were at stable levels in August 2021 compared to December 2020, with an overall average of debt-to-enterprise ratio of 63%. Debt-to-enterprise value for the industrials sector declined substantially from 65% at year-end 2020 to 38% in August.

## 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 August 31, 2021

# U.S.-Listed Chinese Companies

Of the 232 China-based companies listed on major U.S. exchanges as of August 31, 2021, approximately 67% trade on the Nasdaq, approximately 31% trade on the NYSE and several companies trade on the AMEX. Over 75% 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	36	\$223,820	Nasdaq	156	\$600,025
Consumer Services	32	75,794	NYSE	72	808,029
Diversified Financials	27	34,745	AMEX	4	136
Retailing	25	728,738	<b>Total</b>	<b>232</b>	<b>\$1,408,190</b>
Software and Services	19	39,073			
Pharmaceuticals and Biotechnology	12	25,365			
Materials	10	525			
Automobiles and Components	7	134,504			
Transportation	7	81,128			
Real Estate	7	22,942			
Commercial and Professional Services	7	6,725			
Technology Hardware and Equipment	7	4,014			
Food, Beverage and Tobacco	6	7,263			
Food and Staples Retailing	6	6,364			
Capital Goods	6	2,138			
Insurance	4	2,350			
Consumer Durables and Apparel	4	483			
Household and Personal Products	3	3,312			
Healthcare Equipment and Services	3	1,689			
Semiconductors and Semiconductor Equipment	2	6,853			
Banks	1	252			
Energy	1	112			
<b>Total</b>	<b>232</b>	<b>\$1,408,190</b>			

Incorporation	Number of Companies	Total Market Cap (USD mn)
Cayman Islands	184	\$1,376,264
British Virgin Islands	25	4,214
Nevada	11	765
Delaware	7	26,645
Florida	3	274
Hong Kong	1	11
Other	1	18
<b>Total</b>	<b>232</b>	<b>\$1,408,190</b>

# 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 8/31/2021	Total Market Cap (USD mn)	Performance Since 12/31/2020
Alibaba Group Holding Limited	NYSE:BABA	Internet and Direct Marketing Retail	\$166.99	\$452,695	▼ 28.2%
Pinduoduo Inc.	NasdaqGS:PDD	Internet and Direct Marketing Retail	\$100.02	\$125,354	▼ 43.7%
JD.com, Inc.	NasdaqGS:JD	Internet and Direct Marketing Retail	\$78.56	\$121,937	▼ 10.6%
NIO Inc.	NYSE:NIO	Automobiles	\$39.31	\$64,410	▼ 19.3%
NetEase, Inc.	NasdaqGS:NTES	Entertainment	\$97.42	\$63,369	▲ 1.7%
Baidu, Inc.	NasdaqGS:BDU	Interactive Media and Services	\$157.02	\$54,652	▼ 27.4%
DiDi Global Inc.	NYSE:DIDI	Road and Rail	\$8.22	\$39,647	NM
Li Auto Inc.	NasdaqGS:LI	Automobiles	\$30.86	\$31,145	▲ 7.0%
Bilibili Inc.	NasdaqGS:BILI	Entertainment	\$80.23	\$30,837	▼ 6.4%
KE Holdings Inc.	NYSE:BEKE	Real Estate Management and Development	\$18.09	\$21,543	▼ 70.6%
Lufax Holding Ltd	NYSE:LU	Consumer Finance	\$8.67	\$21,348	▼ 38.9%
Trip.com Group Limited	NasdaqGS:TCOM	Hotels, Restaurants and Leisure	\$30.49	\$19,436	▼ 9.6%
Full Truck Alliance Co. Ltd.	NYSE:YMM	Road and Rail	\$16.08	\$17,460	NM
Huazhu Group Limited	NasdaqGS:HTHT	Hotels, Restaurants and Leisure	\$48.29	\$15,779	▲ 7.2%
Tencent Music Entertainment Group	NYSE:TME	Entertainment	\$8.84	\$14,962	▼ 54.1%
Kanzhun Limited	NasdaqGS:BZ	Interactive Media and Services	\$36.86	\$14,742	NM
GDS Holdings Limited	NasdaqGM:GDS	IT Services	\$58.48	\$10,930	▼ 37.5%
Kingsoft Cloud Holdings Limited	NasdaqGS:KC	IT Services	\$32.19	\$7,202	▼ 26.1%
iQIYI, Inc.	NasdaqGS:IQ	Entertainment	\$9.06	\$7,151	▼ 48.2%
RLX Technology Inc.	NYSE:RLX	Tobacco	\$5.14	\$6,918	NM
<b>Indices</b>					
Shanghai Stock Exchange Composite Index			3,543.94		▲ 2.0%
Shenzhen Stock Exchange Composite Index			2,429.86		▲ 4.3%
Hang Seng Index			25,878.99		▼ 5.0%
S&P 500			4,522.68		▲ 20.4%
Nasdaq Composite Index			15,259.23		▲ 18.4%
Dow Jones Industrial Average			35,360.73		▲ 15.5%

# U.S.-Listed Chinese Companies

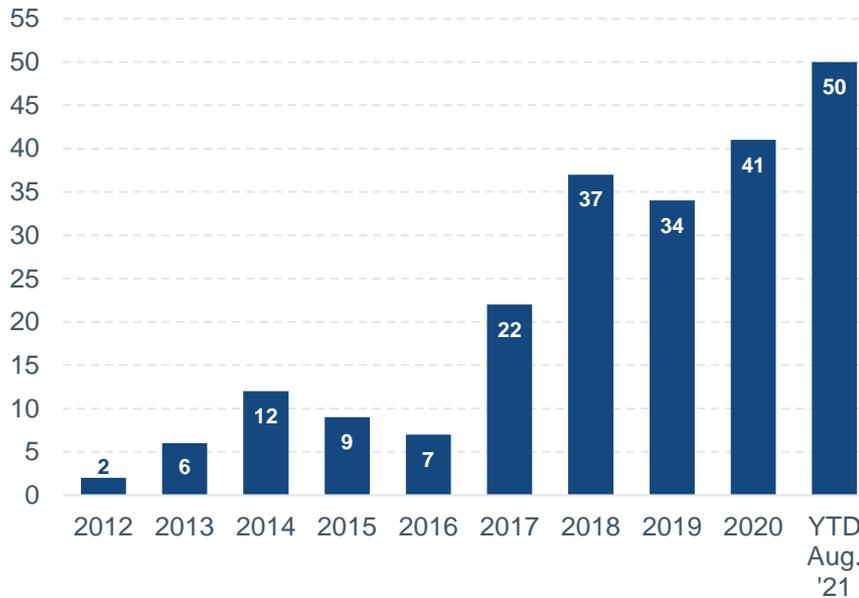
## Top 20 U.S.-Listed Chinese Companies: Valuation Multiples

Top 20 Companies By Market Capitalization	Enterprise Value/EBITDA		Price/Earnings	
	As of 8/31/2021	Change from 12/31/2020	As of 8/31/2021	Change from 12/31/2020
Alibaba Group Holding Limited	17.9x	▼ 7.9x	20.1x	▼ 12.6x
Pinduoduo Inc.	NM	NM	NM	NM
JD.com, Inc.	61.0x	▲ 11.5x	22.2x	▼ 10.0x
NIO Inc.	NM	NM	NM	NM
NetEase, Inc.	19.9x	▼ 0.7x	35.9x	▲ 5.4x
Baidu, Inc.	8.4x	▼ 4.3x	8.0x	▼ 13.5x
DiDi Global Inc.	NM	NM	NM	NM
Li Auto Inc.	NM	NM	NM	NM
Bilibili Inc.	NM	NM	NM	NM
KE Holdings Inc.	24.4x	▼ 78.4x	46.5x	NM
Lufax Holding Ltd	4.1x	▼ 4.4x	9.2x	▼ 8.5x
Trip.com Group Limited	265.9x	NM	31.1x	NM
Full Truck Alliance Co. Ltd.	NM	NM	NM	NM
Huazhu Group Limited	95.0x	NM	NM	NM
Tencent Music Entertainment Group	17.3x	▼ 23.9x	23.6x	▼ 31.3x
Kanzhun Limited	NM	NM	NM	NM
GDS Holdings Limited	35.6x	▼ 22.2x	NM	NM
Kingsoft Cloud Holdings Limited	NM	NM	NM	NM
iQIYI, Inc.	8.0x	▼ 5.5x	NM	NM
RLX Technology Inc.	42.9x	NM	NM	NM
<b>Indices</b>				
Shanghai Stock Exchange Composite Index	13.8x	▼ 1.1x	14.9x	▼ 2.9x
Shenzhen Stock Exchange Composite Index	21.6x	▼ 2.3x	35.0x	▼ 5.9x
Hang Seng Index	13.3x	▼ 1.7x	10.0x	▼ 3.9x
S&P 500	17.5x	▼ 1.7x	27.1x	▲ 7.9x
Nasdaq Composite Index	23.0x	▼ 3.8x	130.4x	▲ 71.7x
Dow Jones Industrial Average	15.7x	▼ 2.0x	21.4x	▼ 3.8x

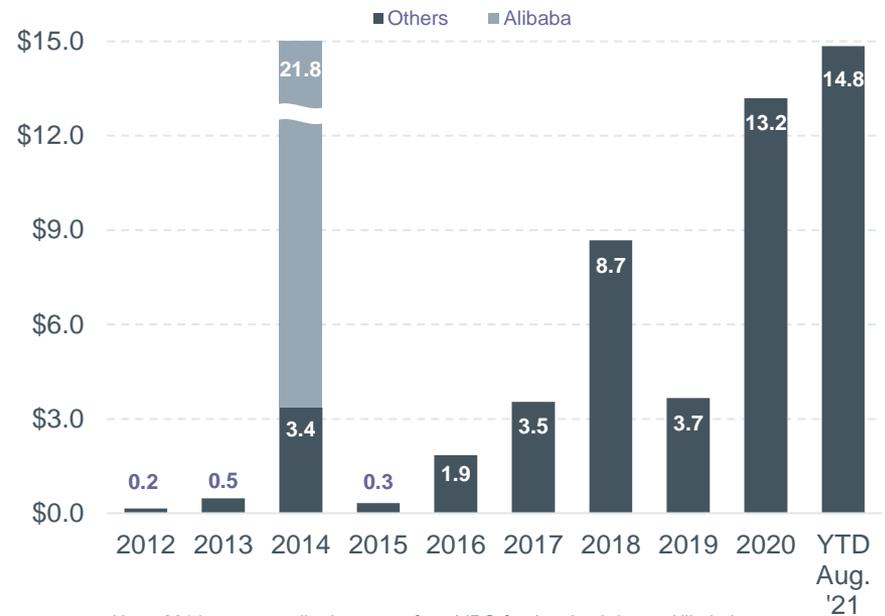
# U.S. IPO Activity

U.S. IPO activity for Chinese companies slowed from mid-February through May 2020 amid market volatility and uncertainty related to COVID-19. However, IPOs have regained pace since June 2020 as the market stabilized and recovered from COVID-19. IPO activity for Chinese firms remained at a strong pace through August 2021, with 50 companies completing new listings for USD 14.8 billion in aggregate funds raised.

Number of IPOs



Amount of IPO Funds Raised (USD bn)

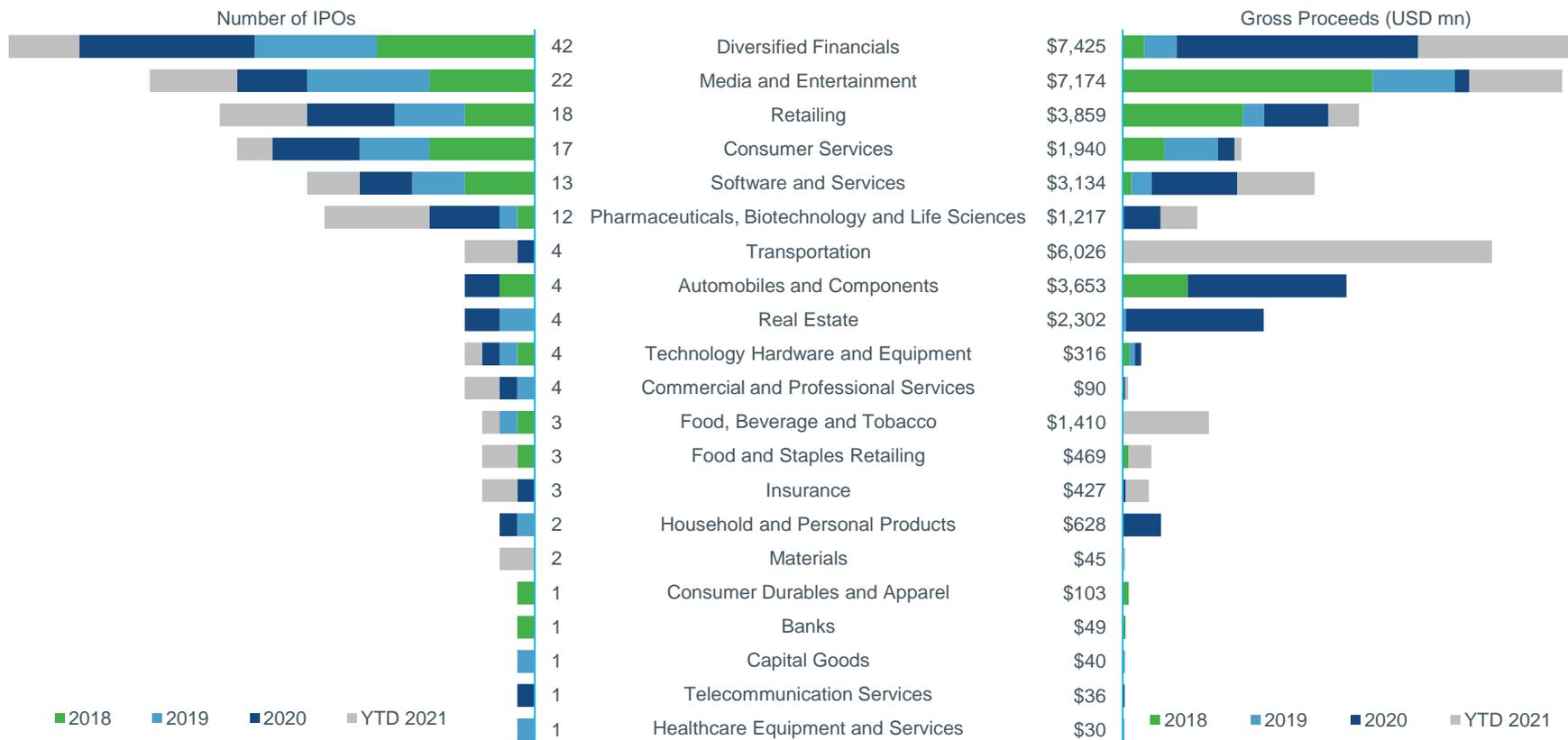


Note: 2014 was an outlier in terms of total IPO funds raised due to Alibaba's record USD 22 billion listing on the NYSE.

# U.S. IPO Activity

Through August 2021, the transportation sector accounted for the most in total funds raised, with approximately USD 6 billion. Notably, ride-hailing company DiDi Global Inc. raised approximately USD 4.4 billion in its IPO. For full-year 2020, other than special purpose acquisition companies (SPACs), companies in the automobiles and components sectors led IPO activity with two listings and approximately USD 2.6 billion in total funds raised, including large IPOs by XPeng Inc. and Li Auto Inc.

## IPOs by Industry (2018–YTD Aug 2021)



# U.S. IPO Activity

The largest two U.S. IPOs of Chinese companies through August 2021 were both from the transportation sector, as DiDi Global Inc. completed an NYSE listing for approximately USD 4.4 billion in funds raised and freight platform Full Truck Alliance Co. Ltd. completed a Nasdaq listing for approximately USD 1.6 billion in funds raised.

## Top 5 U.S. IPOs of Chinese Companies in YTD August 2021 by Funds Raised

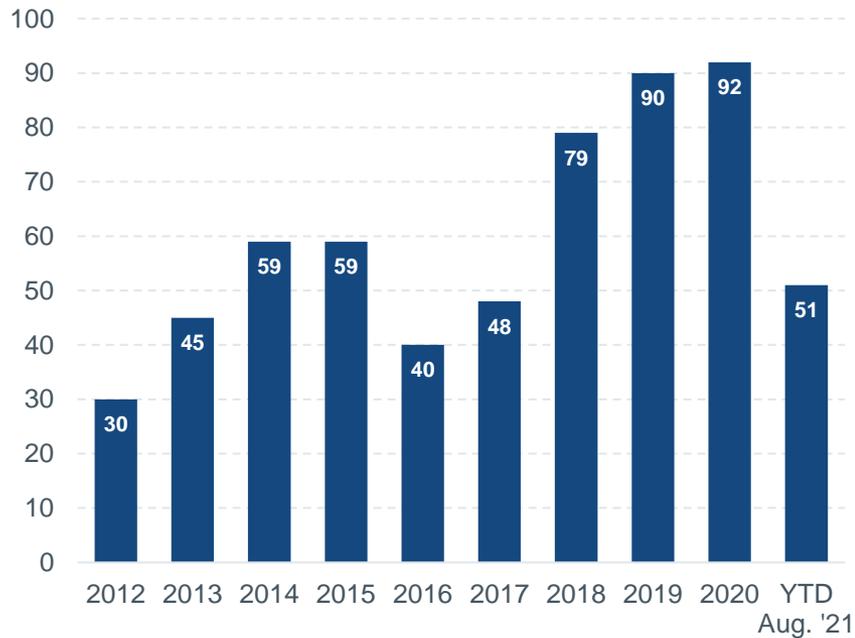
Pricing Date	Company Name	Incorporation	Industry Sector	Business Description	Gross Proceeds (USD mn)	Indicated Price Range (USD)	Offer Price (USD)	As of 8/31/2021		
								Stock Price (USD)	Market Capitalization (USD mn)	Increase/Decrease From IPO Price
6/29/2021	DiDi Global Inc. (NYSE:DIDI)	Cayman Islands	Transportation	Ride-hailing mobility technology platform	\$4,435	\$13.00–\$14.00	\$14.00	\$8.22	\$39,467	▼ 41.3%
										
6/21/2021	Full Truck Alliance Co. Ltd. (NYSE:YMM)	Cayman Islands	Transportation	Digital freight platform	\$1,568	\$17.00–\$19.00	\$19.00	\$16.08	\$17,460	▼ 15.4%
										
6/10/2021	Kanzhun Limited (NasdaqGS:BZ)	Cayman Islands	Media and Entertainment	Online recruitment platform service provider	\$912	\$17.00–\$19.00	\$19.00	\$36.86	\$14,742	▲ 94.0%
										
3/17/2021	Tuya Inc. (NYSE:TUYA)	Cayman Islands	Software and Services	Cloud and application development business service provider	\$915	\$17.00–\$20.00	\$21.00	\$10.43	\$5,838	▼ 50.3%
										
1/21/2021	RLX Technology Inc. (NYSE:RLX)	Cayman Islands	Food, Beverage and Tobacco	Develops, manufactures, distributes, and sells e-vapor products	\$1,398	\$8.00–\$10.00	\$12.00	\$5.14	\$6,918	▼ 57.2%
										

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 August 31, 2021

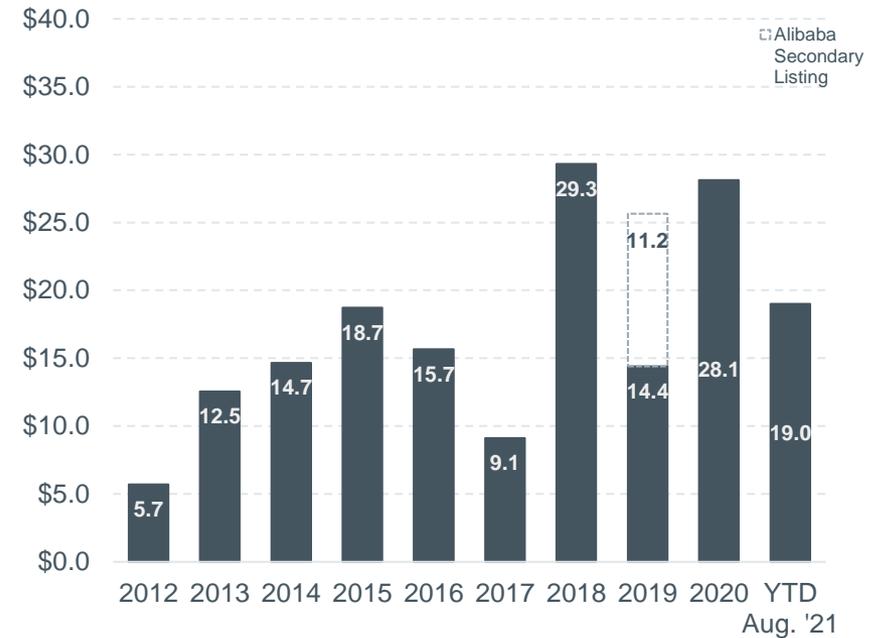
# Hong Kong IPO Activity

Hong Kong has long been a key venue for Chinese capital-raising activities due to its status as a financial hub bridging mainland China and Western markets, and it accounted for approximately USD 28.1 billion in funds raised from IPOs of Chinese companies in 2020. YTD through August 2021, 51 Chinese companies completed Hong Kong IPOs for total funds raised of approximately USD 19.0 billion. However, Hong Kong 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



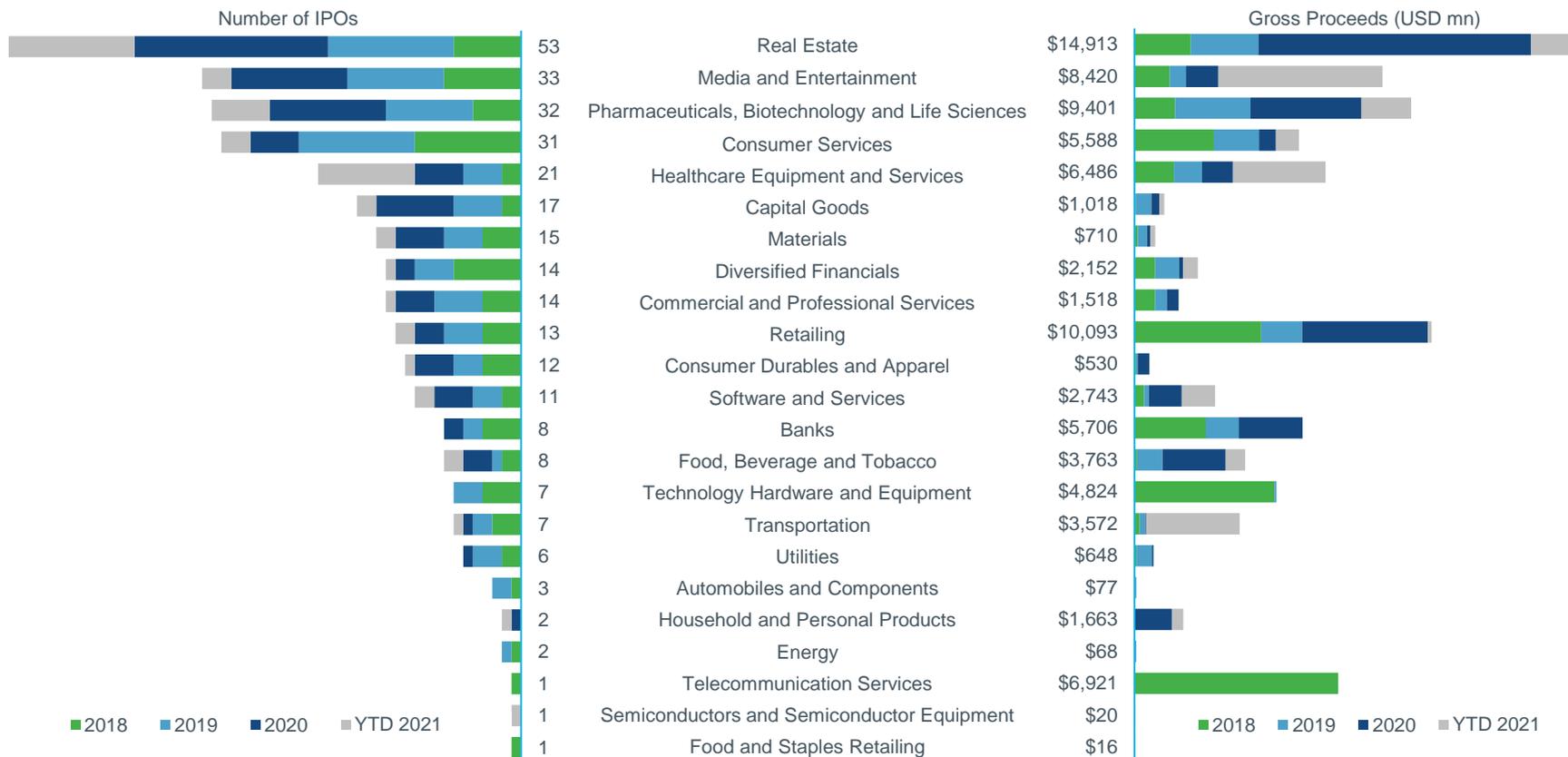
Amount of IPO Funds Raised (USD bn)



# Hong Kong IPO Activity

The media and entertainment sector accounted for the most in IPO funds raised through August 2021 with approximately USD 5.6 billion, followed by the transportation sector with approximately USD 3.2 billion. In 2020, the real estate sector accounted for the most in total funds raised at approximately USD 9.3 billion, including large IPOs by Evergrande Property Services Group Limited and China Resources Mixc Lifestyle Services Limited.

## IPOs by Industry (2018–YTD Aug 2021)



# Hong Kong IPO Activity

Two Chinese companies have completed IPOs for over USD 3 billion in funds raised this year through August 2021, including livestreaming and online marketing service provider Kuaishou Technology and supply chain solutions and logistics service provider JD Logistics. Linklogis, a technology solutions provider for supply chain finance, also raised over USD 1 billion in its IPO this year.

## Top 5 Hong Kong IPOs of Chinese Companies in YTD August 2021 by Funds Raised

Pricing Date	Company Name	Incorporation	Industry Sector	Business Description	Gross Proceeds (USD mn)	Indicated Price Range (HKD)	As of 8/31/2021			
							Offer Price (HKD)	Stock Price (HKD)	Market Capitalization (USD mn)	Increase/Decrease From IPO Price
6/29/2021	Nayuki Holdings Limited (SEHK:2150)	Cayman Islands	Consumer Services	Operates a chain of teahouses	\$656	HKD17.20–HKD19.80	HKD 19.80	HKD 11.50	\$2,536	▼ 41.9%
										
6/11/2021	China Youran Dairy Group Ltd. (SEHK:09858)	Cayman Islands	Food, Beverage and Tobacco	Integrated provider of products and services in the upstream dairy industry	\$643	HKD6.98–HKD8.66	HKD 6.98	HKD 4.68	\$2,284	▼ 33.0%
										
5/26/2021	JD Logistics, Inc. (SEHK:2618)	Cayman Islands	Transportation	Supply chain solutions and logistics service provider	\$3,168	HKD39.36–HKD43.36	HKD 40.36	HKD 33.60	\$26,710	▼ 16.7%
										
4/8/2021	Linklogis Inc. (SEHK:9959)	Cayman Islands	Software and Services	Technology solutions provider for supply chain finance	\$1,024	HKD16.28–HKD18.28	HKD 17.58	HKD 10.84	\$3,233	▼ 38.3%
										
1/29/2021	Kuaishou Technology (SEHK:1024)	Cayman Islands	Media and Entertainment	Livestreaming and online marketing service provider	\$5,417	HKD105.00–HKD115.00	HKD 115.00	HKD 84.50	\$45,197	▼ 26.5%
										

# China SPACs

SPACs raise money through an IPO to acquire a company through a reverse merger. In recent years, acquisition by a SPAC has proven to be an effective way for Chinese companies to tap global capital markets without drawn-out road shows and underwriting expenses.

## China SPAC Transaction Activity

Announced	Closed	Transaction Amount (USD mn)	Transaction Description	SPAC Name	SPAC Headquarters/ Incorporation	Target Name	Target Business Description	Target Country
8/25/2021	--	\$300	Ace Global Business Acquisition Limited entered into an agreement to combine with DDC Enterprise Limited	Ace Global Business Acquisition Limited (NasdaqCM:ACBA)	Hong Kong/ British Virgin Islands	DDC Enterprise Limited	Operates as a digital publisher and merchandiser company under the brand DayDayCook	China/ Hong Kong
8/16/2021	--	\$1,688	Silver Crest Acquisition Corporation entered into an agreement to combine with Tim Hortons China	Silver Crest Acquisition Corporation (NasdaqCM:SLCR)	Hong Kong/ Cayman Islands	Tim Hortons China	Owns and operates Tim Hortons restaurants in China	China
8/9/2021	--	\$300	Model Performance Acquisition Corp. entered into an agreement to combine with MultiMetaVerse Inc.	Model Performance Acquisition Corp. (NasdaqCM:MPAC)	Hong Kong/ British Virgin Islands	MultiMetaVerse Inc.	Develops and publishes animations and mobile games	China/ Hong Kong
2/18/2021	--	\$1,000	East Stone Acquisition Corporation entered into an agreement to combine with JHD Holdings (Cayman) Limited	East Stone Acquisition Corporation (NasdaqCM:ESSC)	U.S./ British Virgin Islands	JHD Holdings (Cayman) Limited	Provides point-of-sale, supply chain, and logistics and payments solutions for businesses in China	China

# China SPACs

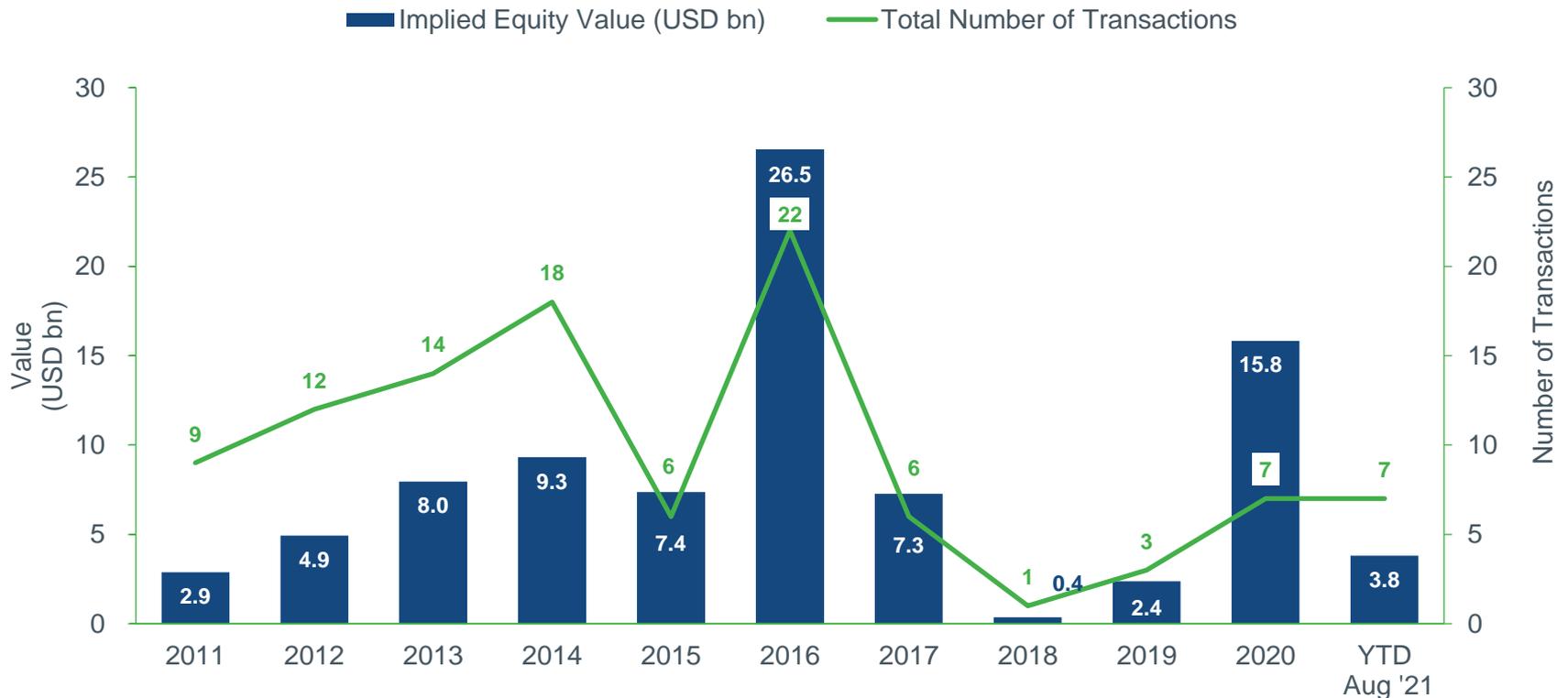
## China SPAC Transaction Activity (Continued)

Announced	Closed	Transaction Amount (USD mn)	Transaction Description	SPAC Name	SPAC Headquarters/ Incorporation	Target Name	Target Business Description	Target Country
11/25/2020	--	\$400	AGBA Acquisition Limited signed a term sheet to combine with certain businesses of Convoy Global Holdings Limited	AGBA Acquisition Limited (NasdaqCM:AGBA)	Hong Kong/ British Virgin Islands	Platform Business and IFA Business of Convoy Global Holdings Limited	Comprises independent financial advisory business and platform businesses, including business to business, fintech, retail and healthcare platforms	China/ Hong Kong
7/6/2020	11/17/2020	\$769	Ucommune Group Holdings Limited acquired Orisun Acquisition Corp. in a reverse merger transaction	Orisun Acquisition Corp. (NasdaqCM:ORSN)	U.S./ Delaware	Ucommune Group Holdings Limited	Manages and provides agile office spaces in China and internationally	China
3/11/2020	6/16/2020	\$125	Lion Financial Group Limited acquired Proficient Alpha Acquisition Corp. in a reverse merger transaction	Proficient Alpha Acquisition Corp. (NasdaqCM:PAAC.U)	U.S./ Nevada	Lion Financial Group Limited	Chinese investor-focused trading platform	China/ Hong Kong
11/1/2019	5/7/2020	\$164	Wealthbridge Acquisition Limited and Scienjoy Inc. completed a business combination transaction	Wealthbridge Acquisition Limited (NasdaqCM:HHHH)	Hong Kong/ British Virgin Islands	Scienjoy Inc.	Livestreaming video entertainment social platform in China	China
9/6/2019	2/14/2020	\$425	Glory Star New Media Group Limited acquired TKK Symphony Acquisition Corporation in a reverse merger transaction	TKK Symphony Acquisition Corporation (NasdaqCM:TKKS)	Hong Kong/ Cayman Islands	Glory Star New Media Group Holdings Limited	Mobile and online digital media and entertainment company in China	China

# Going-Private Transactions

Seven going-private transactions of U.S.-listed Chinese companies were completed this year through August 2021, with a total implied equity value of approximately USD 3.8 billion. Notable completed transactions include the privatizations of online media giant SINA and online education business China Distance Education Holdings during the first half of 2021.

## Summary of Closed Transactions



## YTD August 2021 Closed Transactions

Closed Date	Announced Date	Company Name	Incorporation	Industry Sector	Business Description	Implied Equity Value (USD mn)
7/12/2021	5/12/2020	Newater Technology, Inc.	British Virgin Islands	Capital Goods	Operates as a wastewater purification treatment company in China.	\$39
						
7/6/2021	3/12/2021	China Customer Relations Centers, Inc.	British Virgin Islands	Commercial and Professional Services	Provides business process outsourcing services for transportation, e-commerce, banks and insurance, and telecommunications companies in China.	\$119
						
4/20/2021	11/25/2020	Ruhnn Holding Limited	Cayman Islands	Retailing	Operates key opinion leader cultivation and incubation platforms in China.	\$290
						
3/25/2021	7/16/2019	Gridsum Holding Inc.	Cayman Islands	Software and Services	Provides data analysis software for enterprises and government agencies in China.	\$80
						
3/22/2021	7/6/2020	SINA Corporation	Cayman Islands	Media and Entertainment	Operates as an online media company in China and internationally.	\$2,596
						
3/18/2021	6/8/2020	China Distance Education Holdings Limited	Cayman Islands	Consumer Services	Provides online and offline education services and sells related products in China.	\$338
						
2/26/2021	9/29/2020	Wanda Sports Group Company Limited	Hong Kong	Media and Entertainment	Operates as a sports events, media and marketing platform worldwide.	\$349
						

# Going-Private Transactions

The year 2021 could see a moderate rise in going-private deal value, as U.S.-listed Chinese companies with pending going-private transactions that have been announced or proposed represented over USD 12 billion in total market capitalization as of August 2021 (including transactions announced in 2020 and 2021). Through August 2021, five proposed deals were announced that have yet to close, the largest being the privatization of healthcare services provider New Frontier Health.

## YTD August 2021 Announced Transactions

Announced Date	Status	Company Name	Incorporation	Industry Sector	Business Description	Market Capitalization (USD mn) <sup>1</sup>
8/9/2021	Announced / Pending	China Zenix Auto International Limited (OTCPK:ZXAI.Y)	British Virgin Islands	Automobiles and Components	Designs, manufactures and sells commercial vehicle wheels to aftermarket and original equipment manufacturers in China.	\$31
						
7/20/2021	Announced / Pending	Hollysys Automation Technologies Ltd. (NasdaqGS:HOLI)	British Virgin Islands	Technology Hardware and Equipment	Provides automation solutions in China, Southeast Asia, India and the Middle East.	\$1,204
						
2/9/2021	Announced / Pending	New Frontier Health Corporation (NYSE:NFH)	Cayman Islands	Healthcare Equipment and Services	Provides healthcare services and operates a network of hospital inpatient departments and integrated outpatient clinics, including satellite feeder clinics.	\$1,482
						
1/21/2021	Announced / Pending	TuanChe Limited (NasdaqCM:TC)	Cayman Islands	Media and Entertainment	Operates as an omni-channel automotive marketplace in China; organizes auto shows and events and provides marketing solutions to industry customers.	\$40
						
1/10/2021	Announced / Pending	Secoo Holding Limited (NasdaqGM:SECO)	Cayman Islands	Retailing	Operates an integrated online and offline shopping platform in China, Hong Kong and internationally.	\$141
						

<sup>1</sup> Market capitalization as of August 31, 2021

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 August 31, 2021

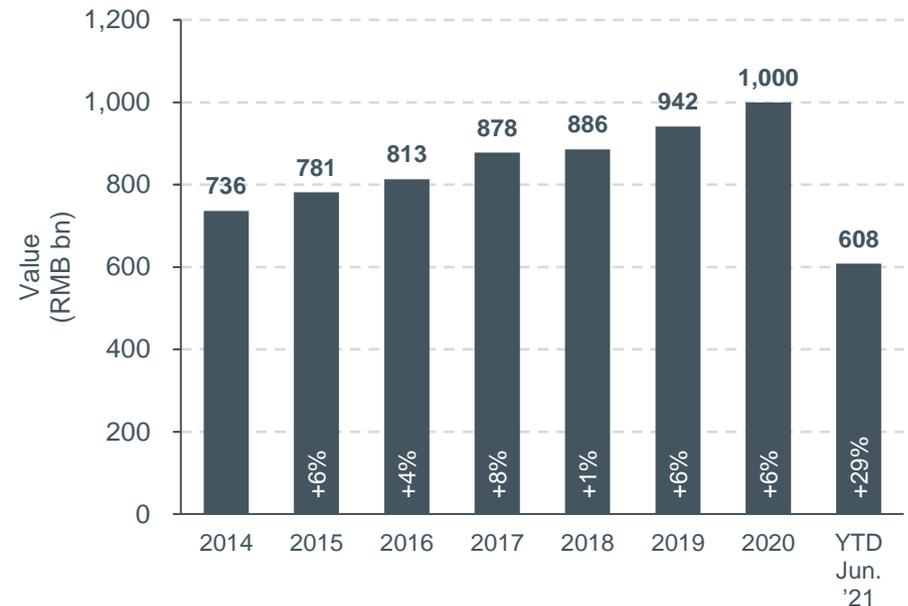
# Cross-Border Investment

In 2020, China's outbound direct investment dipped 0.4% year-over-year. Outbound direct investment rose 4.7% year-over-year in the first half of 2021, with investment linked to the Belt and Road Initiative sustaining a steady growth of 8.6%, comprising 17.8% of the total for the period. China's foreign direct investment expanded by 6.2% in 2020, as the structure of the country's foreign investment was further optimized and investment in the service and high-tech sectors rose 13.9% and 28.5%, respectively. Foreign direct investment into mainland China surged 28.7% year-over-year in the first half of 2021, with the service and high-tech sectors seeing increases of 33.4% and 42.7%, respectively.

## Chinese Outbound Direct Investment



## Foreign Direct Investment in China



## Notable Cross-Border Transactions

### China/Americas



In February 2021, U.S.-based DuPont de Nemours announced the sale of its Clean Technologies business to a consortium including Asia Green Fund, BroadPeak Global and Dussur for USD 510 million.



In January 2021, Chinese automaker Geely agreed to help fund a USD 775 million investment in U.S.-based electric vehicle firm Faraday Future.



### China/Europe



In May 2021, Shenzhen Mindray Bio-Medical Electronics agreed to acquire Finland-based HyTest, a supplier of raw materials used in disease testing, for approximately USD 661.



In March 2021, Netherlands-based Koninklijke Philips agreed to sell its domestic appliances business to China's Hillhouse Capital for approximately USD 4.4 billion.



### China/Asia Pacific



In May 2021, a consortium led by Alibaba and Baring Private Equity Asia acquired a 5.5% stake in Vietnamese conglomerate Masan Group's consumer retail platform The CrownX for USD 400 million.



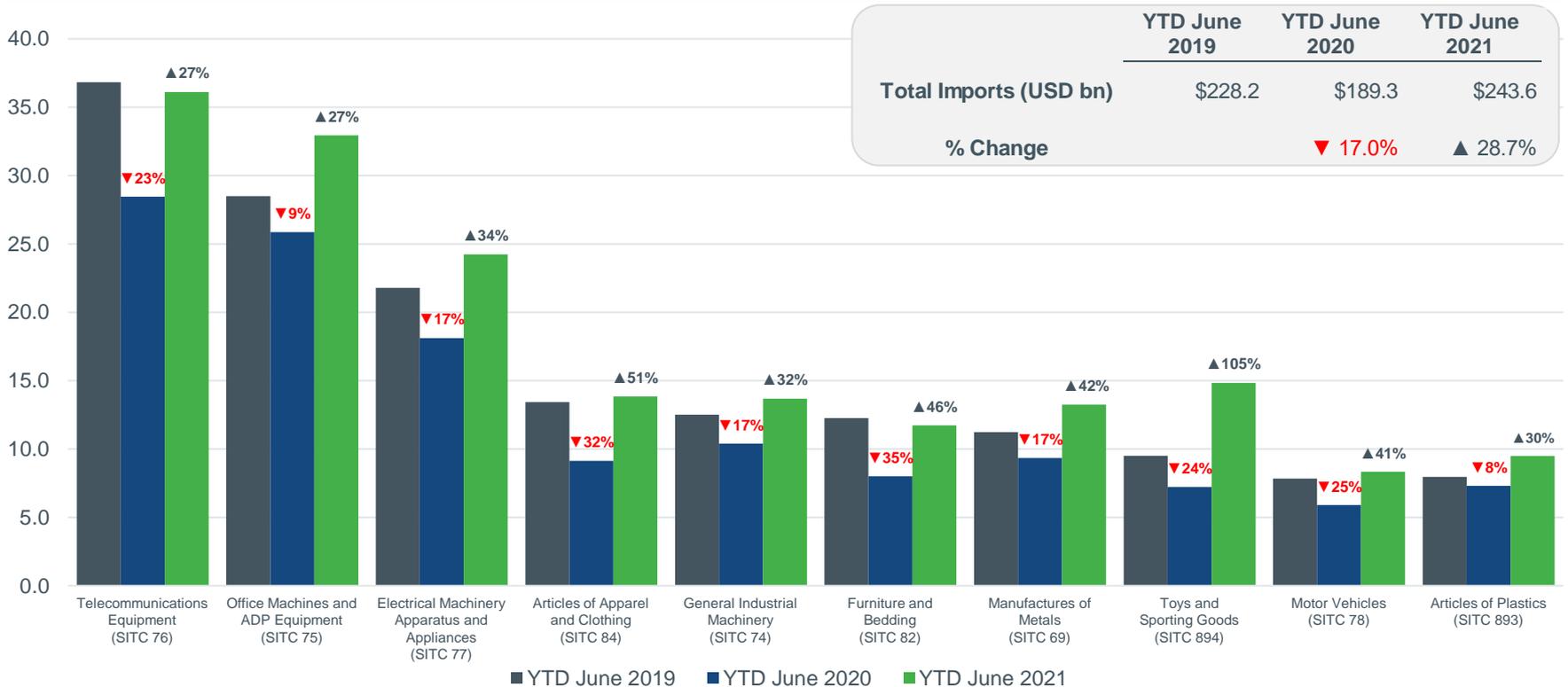
In March 2021, Chinese private equity firm Wise Road Capital agreed to acquire South Korea-based chip maker Magnachip Semiconductor for USD 1.4 billion. Magnachip later received an unsolicited offer valuing the company at approximately USD 1.66 billion.



# U.S.-China Trade Update

Total U.S. imports of Chinese goods rose 28.7% for the first half of 2021, compared to the same period last year. The top two import product categories by value—telecommunications equipment and office and automatic data processing equipment—both increased by 27%. U.S. imports from China for electrical machinery, apparel and clothing, and industrial machinery also showed substantial growth.

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

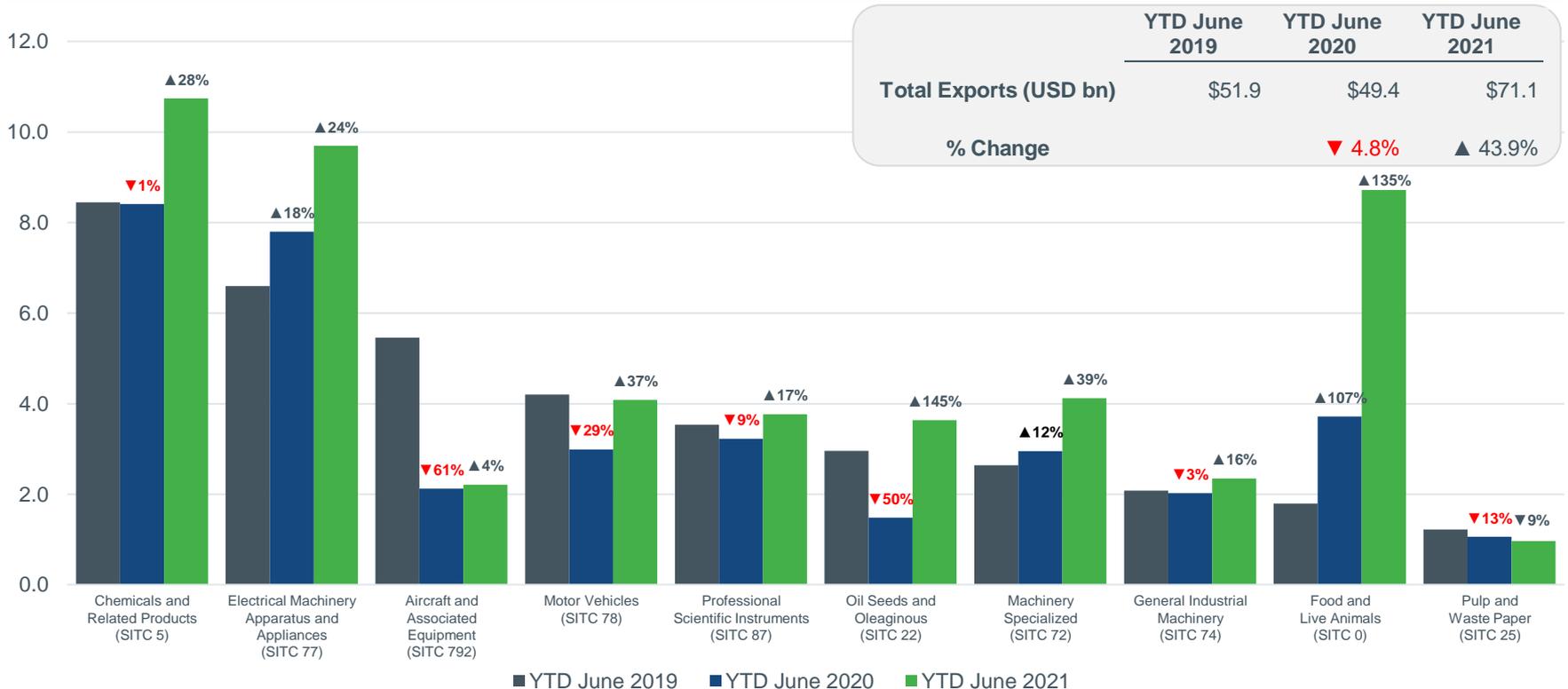


SITC = Standard International Trade Classification  
Source: U.S. Census Bureau

# U.S.-China Trade Update

In aggregate, U.S. exports to China increased 43.9% for the first half of the year, compared to the same period in 2020. The top two export product categories by value—chemicals and related products, and electrical machinery—rose by 28% and 24%, respectively. Exports of oil seeds and food and live animals showed significant growth of 145% and 135%, respectively.

## Top U.S. Exports To China (USD bn)



# Duff & Phelps Select Transaction Experience

## Financial Advisor

*(Transaction Pending)*

New Frontier Health Corporation has received a nonbinding proposal from certain existing shareholders to acquire the outstanding shares of the company in a going-private transaction.



Financial advisor to the special committee of the board of directors of New Frontier Health Corporation

## Financial Advisor

*(Transaction Pending)*

51job, Inc. has received a nonbinding proposal from DCP Capital Partners, L.P. to acquire the outstanding shares of the company in a going-private transaction.



Financial advisor to the special committee of the board of directors of 51job, Inc.

## Financial Advisor

*(Transaction Pending)*

Tarena International has received a nonbinding proposal from the founder and chairman to acquire the outstanding shares of the company in a going-private transaction.



Financial advisor to the special committee of the board of directors of Tarena International, Inc.

## Financial Advisor

*(Transaction Pending)*

Sogou Inc. has received a nonbinding proposal from Tencent Holdings Limited to acquire the outstanding shares of the company in a going-private transaction.



Financial advisor to the special committee of the board of directors of Sogou Inc.

## Financial Advisor

Ruhnn Holding Limited has been acquired by a buyer group including three of the company's founders in a going-private transaction.



Financial advisor to the special committee of the board of directors of Ruhnn Holding Limited

## Financial Advisor

China Distance Education Holding Limited has been acquired by an insider-lead consortium in a going-private transaction.



Financial advisor to the special committee of the board of directors of China Distance Education Holding Limited

## Financial Advisor

JD.com, Inc. has divested its Cloud and AI business to Jingdong Digits Technology Holding Co., Ltd.



Financial advisor to the audit committee of JD.com, Inc.

## Financial Advisor

Gaotu Techedu Inc. has sold its preschool initiation business to a related party of its chairman.



Financial advisor to the audit committee of the board of directors of Gaotu Techedu Inc.

# GLOBAL CORPORATE FINANCE PRACTICE

**Ranked No. 1** for Announced U.S. and Global Fairness Opinions over the past 10 years.<sup>1</sup>

**Ranked No. 5** for Announced U.S. Middle Market M&A over the past five years.<sup>2</sup>

## ANNOUNCED U.S. FAIRNESS OPINIONS RANKINGS

	Ranking	Number of Credited Deals
Five Years: 2016–2020	#1	210
Ten Years: 2011–2020	#1	403

Source: Thomson Reuters

## ANNOUNCED GLOBAL FAIRNESS OPINIONS RANKINGS

	Ranking	Number of Credited Deals
Five Years: 2016–2020	#1	295
Ten Years: 2011–2020	#1	540

Source: Thomson Reuters

1. According to Thomas Reuters' cumulative data 2011-2020.

2. According to Thomson Financial Securities Data (U.S. deals \$10M < \$150M, including deals without a disclosed value). Full years 2011 through 2020.

# Duff & Phelps Differentiators

Global expertise, with **more than 70 offices around the world**, including in Beijing, Shanghai, Hong Kong, Guangzhou, Shenzhen, Taipei, Tokyo, London, Paris, Frankfurt, Madrid, 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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### About Duff & Phelps, A Kroll Business

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