

Cross-Border M&As -Chinese Cases

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1. Emerson Electric acquires Avansys, a subsidiary of Huawei Technologies (2001).

The US-based Emerson has paid US\$750 million in cash to buy 100 percent of Avansys Power, a unit of Shenzhen-based Huawei Technologies. This transaction was announced "Best crossborder M&A of the Year 2001" by Finance Asia. Emerson Electric, the biggest player in manufacturing telecom power equipment, was searching for a low cost production base for its products. Meanwhile, Huawei realized that Avansys, although being China's biggest manufacturer of power supplies for telephone networks, was a non-core business for the company. Also, Huawei needed cash to expand throughout China. "With the emerging trend of globalization, it's important that we focus resources on our core business - designing, producing and selling the highest quality telecommunications and data communications equipment," said Huawei's spokesman (World IT Report, Apr. 9, 2003).

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2. Alcatel increased stake in Shanghai Bell (2001).

French telecommunications equipment firm Alcatel has taken a majority stake in Chinese telecoms firm Shanghai Bell, boosting its shareholding from the previous 31.65 percent. The firm paid 312 million yuan (US\$37.8 million) to buy a stake of 8.35 percent from the Belgian government and 10 percent plus one share from Chinese shareholders. This would give Alcatel 50 percent plus one share in the firm, to be renamed Alcatel Shanghai Bell. Alcatel, building next generation networks and delivering voice and data solutions to carriers, wanted to expand activities in Asia. On the other hand, Shanghai Bell, a telecom technology leader with the most extensive sales and support network in China, wanted to attain state-of-the-art network technology from Alcatel.

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3. HSBC Insurance Holdings Ltd. acquired share in Ping An Insurance Company of China, Ltd (2002).

The Hong Kong and Shanghai Bank (HSBC) Insurance Holdings Ltd. has taken a 10 percent stake in Ping An Insurance, China's second largest insurer for US\$600 million. The wholly owned subsidiary of the HSBC Group was attracted to potential growth of the insurance and asset management sectors in China. Meanwhile, Ping An was in the process of restructuring and needed funds. Also, with the transaction HSBC could play the role of a strategic partner providing technical assistance and various service products (Hong Kong Bank, Oct. 8, 2002).

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4. AB (Anheuser-Busch) purchased Tsingtao Brewery share (2002).

The US-based AB (Anheuser-Busch) increased Tsingtao Brewery's share from 4.5 percent to 27 percent at US\$182 million. AB, the world's largest brewer and maker of Budweiser, Bud Light, and Michelob, was searching for the opportunity to tap in China's growth. "To invest in the growth of China, you really need to do it through the mainstream companies," said Patrick Stokes, AB chief executive (International Herald Tribune, Oct. 22, 2002). As for Tsingtao Brewery, the largest Chinese brewer (12.8 percent market share, more than 50 percent of total beer export from China) was interested in the potential of increasing its sales in the US market. "We have been eyeing the U.S. beer market, but our sales there have been hampered by high transportation costs," said company secretary, Zhang Ruixiang (International Herald Tribune, Oct. 22, 2002).

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5. Ford increased stake in Jiangling Automobile Co., Ltd (2002).

Ford Automobile purchased additional shares of Jiangling Automobile from 20 percent to 30 percent at US\$55 million. Ford wanted to expand its business in the Chinese automobile market and establish strategic ties with Jiangling in the long run. Jiangling Automobile Co., Ltd, which is part of one of China's major enterprises, Jiangling Automobile Group, started out as Ford's first auto joint venture in China. Jiangling Automobile Group, the parent company of Jiangling Automobile Co., Ltd., is one of China's 520 major enterprises and is capable of manufacturing 60,000 automobiles per year. From the transaction, the company prospects are attaining further technological support from Ford (People's Daily, Oct. 31, 2001).