

# The Clairfield Review

## China comes of age

**Crosby O'Hare and John Fletcher explain why we should all be talking Chinese.**

Prism  
Clairfield



**Crosby O'Hare is a senior partner of Prism Clairfield, Clairfield Partners in New York.**

**John Fletcher is a director of FF Financial Services Ltd and Somerley China Associates Ltd, the specialist investment banking company based in Hong Kong and Beijing.**

### Opportunities for all

China's continued economic growth, domestic markets opening to foreign investment, and 1.2 billion person marketplace, combine to offer extraordinary opportunities for US and European companies. Chinese economic growth has averaged more than 9.5%<sup>1</sup> over the last two decades and looks set to continue at that level. China is likely to become the largest exporter in the world within 5 years.<sup>2</sup> Greater economic integration means greater participation in China's growth, and companies that realise this have much to gain.

At the forefront of this, cross-border M&A activity in and out of China is rapidly evolving. A significant policy shift to absorb foreign investments, coupled with regulatory changes begun 25 years ago, has created an increasingly coherent and investor-friendly environment. Recent regulatory reforms allow foreign companies not only to buy out joint venture partners and acquire private enterprises, but also to acquire state-owned entities and listed companies.

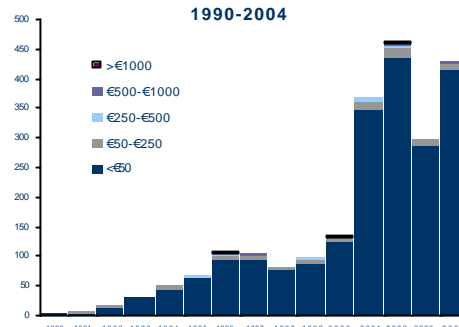
Wide-reaching constitutional changes, including the abolishment of regulations that prevented private companies entering key sectors such as infrastructure, public utilities and financial services, have permitted the emergence of a powerful private sector in the economy. China's position as one of the world's most attractive destinations for foreign investment markets is continuing to assert itself.

### Key commodities

Chinese companies continue to seek M&A opportunities with European and US companies, principally to gain distribution and to access the raw material markets. China's hunger for commodities such as coal, iron ore, oil and gas with which to fuel its booming economy, means that it is the key factor in commodities demand growth and M&A movement in these sectors.

In 2005, China's overseas oil and gas M&A deals represented 61% of the world's total so far this year<sup>3</sup>. The attempted acquisition of Canadian metal giant, Noranda, by China's MinMetals, is just one example of China's increasing appetite for natural resources.

Chinese acquirors: deal volume 1990-2004



Source: Thomson Deals

### Foreign investment in China

Since 1978, China has made foreign investment a cornerstone of its economic development, with notable success: by May 2005, the total inbound investment in China for the year was \$2.8 billion<sup>4</sup>, up a significant 86% by volume in comparison with 2004.

Some recent deals of note include:

- Goldman Sach's intention of a joint venture with Gao Hua Securities
- Merrill Lynch's \$32 million joint venture with mid-sized Chinese securities firm, Huan Securities
- Carlyle Group and Prudential Financial gained approval to buy 25% of China Pacific Life insurance
- Warburg Pincus will pay up to \$100 million for 22.5% of Chinese pharmaceuticals manufacturer, Hayao

### Drivers

Substantial reform has allowed market prices and private investors to create a vibrant and highly profitable private sector that now accounts for more than half of China's GDP<sup>5</sup> and an overwhelming share of its exports. This, combined with the US and Europe's needs to internationalise their own economies and find cheaper cost centres, means that M&A activity will remain robust.

Companies in the US and Europe are increasingly realising that what was once considered to be the Chinese threat, is now transformed into opportunity.

Clairfield is developing its relationships in China and is well-positioned to effect appropriate introductions and dialogue.

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## intuitucapital appointed Listing Sponsor for Alternext



intuitucapital, Clairfield's partner in France, has qualified as a 'Listing Sponsor' for Alternext, the new market segment on the Paris Stock Exchange. This status, granted by Euronext on the basis of professional capability, experience and the track record of the firm, authorises intuitucapital, as one of the selected French financial firms, to lead Initial Public Offerings on Alternext and provide subsequent advice to the issuer.

The purpose of this market is to enable small & midcap companies achieve a credible growth profile and safe financial structure for the raising of funds and achievement of liquidity, following the successful example of the AIM of the London Stock Exchange. The move is part of an ongoing overhaul by Euronext, aimed at improving the visibility and liquidity of small and midcap companies. Officially opening for business at the end of May, 11 listings have been achieved as of July 31.

A new category of market participant, the listing sponsor, has been created specifically for the launch of Alternext.

Recognised and approved by Euronext, these intermediaries provide applicants with

specialist consulting services for a minimum period of two years; presence is mandatory for applicants wishing to list.

The listing sponsor will have two main roles as the company's long-term partner: supporting and advising the applicant in its preparation for an Alternext listing, as well as assisting the issuer throughout its period as a listed company, making sure that it is in full compliance with disclosure requirements.

Fabrice Henry, Partner at intuitucapital, commented on the appointment:

"Small and mid-cap companies play a crucial role in the European economy, but up until now, only a small proportion of them have been able to realise the many benefits that come with being a publicly traded company.

It is vital that these companies are therefore able to draw on expert resources at a time when European Union regulations are imposing tougher requirements on regulated markets.

This is our aim in becoming a Listed Sponsor and we look forward to helping our clients achieve a successful listing on Alternext and a fruitful life as a public company."

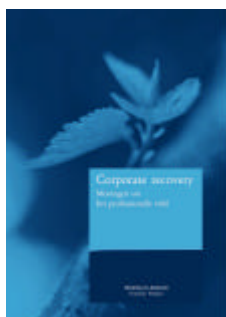
## AIM-ing high in Germany



SynCap, Clairfield's partner in Germany, is leading the way in introducing German corporates to the benefits of listing on AIM - the fast growing Alternative Investment Market at the London Stock Exchange - in Germany.

SynCap organized the first AIM Conference on June 30 in Frankfurt where insights on the quotation procedures and preferences for AIM were given to more than 40 selected company representatives.

## In brief: BCCF+ on corporate recovery, Clairfield case study, Spain on the move



Boer & Croon Corporate Finance's Corporate Recovery publication

- The number of companies going bankrupt is increasing dramatically. In the year 2000, over 4,500 companies went bankrupt in the Netherlands, and by the end of 2004 this number doubled to 9,400. What role do banks play in the process of companies going bankrupt? Do they act too slow when it comes to withdrawing credit facilities? Is the increasing professionalism of banks decreasing the number of bankruptcies?

Boer & Croon Corporate Finance+, Clairfield's partner in the Netherlands, leads the field in researching recovery activities and results. In line with this, a round table conference with fourteen Dutch top professionals in the field of corporate recovery was organised in June 2005, resulting in a free exchange of experiences and opinions. The conference has been summarised in the publication "*Corporate recovery: Meningen uit het professionele veld*" and is available (in Dutch) at: [www.boercroon.nl](http://www.boercroon.nl).

- Brian O'Hare, Partner at Clairfield Corporate Finance, addressed an audience of over 200 delegates at the FinanCorp's 'Corporate Finance Forum' on the practical case study of MBOs in the industrial sector.

Brian also shared his experience and knowledge of the challenges of international M&A when speaking at the Barcelona Chamber of Commerce on practical measures for acquiring companies abroad.

- Clairfield Corporate Finance, Clairfield Partners in Spain, will inaugurate its new offices in October when it moves to the new address of Diagonal 520.

José M<sup>a</sup> Banús, Partner, commented: "We are delighted to continue a very successful year with the move to the new offices. We are now looking forward to welcoming our clients to Diagonal 520 and hope to have many more years of successful deal-making in our new environment."

## Selected Transactions 2005



### GB Group acquires majority of Teran Tractor Company Inc

GB Group has acquired a majority stake in Teran Tractor, a US-based distributor of replacement spare parts and components for heavy machinery.

Teran Tractor is a leading distributor of aftermarket spare parts for heavy machinery, with a strong focus in the Latin American markets. GB Group is the worldwide leading manufacturer, marketer and distributor of replacement spare parts for agricultural and industrial machinery.

Prism Clairfield in the US initiated this transaction and acted as exclusive advisors to GB Group.



### Aresa acquires BA and IB

**Aresa Seguros Generales** has acquired 100% of the share capital of **Barcelona Aseguradora (BA)**. Aresa also acquired a majority stake in **Igualatorio de Asistencia Médica Colegial de Burgos (IB)**.

Clairfield Corporate Finance in Spain acted as exclusive advisors to Aresa Seguros Generales throughout both acquisition processes.

Aresa Seguros Generales, S.A. is one of Spain's leading healthcare insurers with €125 million in premiums and 500,000 policyholders. BA is the third deal the Spanish office has closed with Aresa.



CHELFORD  
GROUP PLC

### Ferimet sells to Grupo Celsa

Clairfield Corporate Finance has successfully advised **Ferimet**, a Spain-based metals recycling firm, on the sale of 100% of its share capital to **Compañía Española de Laminación, S.A. (Grupo Celsa)**.

Grupo Celsa is one of Spain's leading steel producers. In 2003 Ferimet sold a total of 143,980 tonnes, of which 92% was iron and 8% was non-ferrous.



### CastellWind03 achieves Private Placement

Clairfield Corporate Finance advised **CastellWind03** on a private placement with a group of investors. CastellWind03 is developing a project to build a 120 MW wind farm in Spain.

### Fine Products sells access systems

Clairfield Corporate Finance acted as exclusive advisers to **Fine Products** on the sale of its access systems for buses division to **Hidral**. Fine Products manufactures and distributes hydraulic ramps to the transport industry. Hidral is one of Spain's largest manufacturers of elevators, platforms and lifts.

### Eaton sells Eaton Power Quality Spa

**Eaton S.p.A.** has sold 100% of Eaton Power Quality Spa (formerly Borri) to Astrid Energy Enterprises. K Finance, Clairfield's Italian partner, was exclusive advisor to Eaton throughout the sale process.

Eaton is a global leader in diversified industrial manufacturing, specialising in hydraulic systems and factory automation products.

Borri was founded in 1932 in Tuscany, Italy, as a designer and manufacturer of electric equipment for industrial applications.

Astrid Energy Enterprises develops power supplies for healthcare, finance, telecoms and logistics sectors.

### Chelford acquires Agility

Carlton Corporate Finance, the UK partner of Clairfield Partners, has advised **Chelford Group plc** on its recent acquisition of **Agility Systems Ltd**. Chelford is an IT supply chain software/services and SAP solutions Group.

Agility is an IT software and services business which specialises in Supply Chain execution and Warehouse Management systems integrating to ERP systems, including GEAC, JD Edwards and SSA within the consumer packaged goods and transport and logistics markets. Agility customers include Exel Logistics and Morphy Richards.

### VODW restructures

Boer & Croon Corporate Finance+ (BCCF) advised the shareholders and management of **VODW Marketing & Management Consultants** in obtaining an optimal financial and legal structure with respect to the future growth of the company.

The financing was provided by CenE Bankiers, a subsidiary of Van Lanschot Bankiers, one of the leading private and business banks in the Netherlands.

VODW is the largest independent marketing consultancy agency in the Netherlands; they realise growth for top firms in the Netherlands and internationally through strategic innovations. VODW employs some 150 staff members.

### Supermarket takeover

BCCF+ advised the shareholders and management of three retail companies regarding the friendly takeover of a large regional supermarket **De Wit Konmar**. The newly-formed consortium has revenues of over €1 billion. The retail company had some 34 stores that have continued under the names: *Hoogvliet, Deen Supermarkten* and *Coop Codis*.

## New Colleagues



Georges Hazan

**Georges Hazan** has joined intuitucapital in France, to which he brings 20 years of experience in international mergers & acquisitions, venture capital in advanced technologies, and strategic advisory services.

In 1989, he founded CICT in Canada, an M&A advisory firm specialized in ICT technologies that he then developed into an international network with offices around the world. Through this firm Georges developed transactions of up to US\$500 million in size, for global clients such as Nortel Networks, Teleglobe, Alcatel, Eicon Networks, Sun, Cisco Systems, 3Com, Cable & Wireless, as well as IT-oriented investment funds.

Prior to this, he held executive responsibilities in multinational IT services firms in Canada and the US, eg, Dun & Bradstreet and ADP, as well as Synerlogic. Georges sits on the board of several ICT companies. At intuitucapital, Georges leads the technology practice.



Gonneke van der Lee-Heerkens

**Gonneke van der Lee-Heerkens** has joined the Dutch office of Boer & Croon Corporate Finance<sup>+</sup> as a Senior Consultant, where she specialises in the consumer business and energy & utilities.

Previously Gonneke was Senior Manager at Deloitte Corporate Finance B.V. before joining Boer & Croon Corporate Finance<sup>+</sup>.

**Marnix Messersmid** has also joined BCCF<sup>+</sup>, as a Business Analyst. Marnix previously worked as a M&A advisor at Troostwijk, a boutique active in the field of small and mid-sized firms.

**Dr. Wolfgang Knop** has recently joined SynCap in Germany as Senior Counsel, with a focus on financial engineering and valuation services. Wolfgang is strengthening SynCap's industry sector approach having been a Member of the Board and CEO of a diversified industry group with more than €700 million in sales. He started his career at Arthur Andersen where he became partner.

**Dr. Markus Opitz** has joined SynCap's Industry Board as Specialist for MBO/ LBO transactions. Previously, he was involved in PE-backed takeovers and stock quotations of companies, which he ran as CFO. He also acted for over 10 years as Corporate Controller for large cap industry groups such as Gebr. Otto KG and BASF AG.

**Conal Henderson** has joined Carlton Corporate Finance in London as an Analyst. Conal previously worked as a risk analyst within the economic risk capital team at Credit Suisse First Boston where he was responsible for the entire group's market risk and scenario analysis.

Prior to joining CSFB Conal worked for Deloitte and Touche.

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<sup>1</sup> OECD: 'Economic Survey of China' September 2005

<sup>2</sup> OECD: 'Economic Survey of China' September 2005

<sup>3</sup> Pricewaterhouse Cooper PLC: press room articles 2004 -2005

<sup>4</sup> Securities Data Company database

<sup>5</sup> OECD: 'Economic Survey of China: Policy Brief' September 2005