



# The iDeal e-deal

## Remote transaction assistance in China

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Despite global economic headwinds, opportunities abound for multinational companies (MNCs) to invest in China given an anticipated relatively rapid recovery of the domestic economy and investment opportunities as the central government continues to relax negative list restrictions and encourage FDI in various sectors.

The recent Two Sessions of the central government which included an announcement of policies to encourage investment into high-tech areas, and the launch of the Hainan Free Trade Port and encouragement of investment into this province in three key sectors (high technology, tourism, and modern services) are examples of this agenda.

In addition, FDI figures show that flows into China have picked up each month since January, with foreign-related M&A into China amounting to USD9 billion in the first 5 months of 2020. For the first time in a decade, such inflows have surpassed Chinese outbound M&A activity in both volume and value terms.<sup>1</sup>

In the pre-COVID world, MNCs would typically send their head office-based senior management to China to visit and validate targets. When the best target was identified, experienced group M&A executives would then come to China to lead the negotiation and drafting of the LOI and subsequent transaction documents.

Given current international travel restrictions and impediments to face-to-face meetings, MNCs have explored ways to negotiate deals remotely via online platforms, but have generally found this challenging.

To address this demand KPMG has developed its “iDeal” service proposition using the China-based Deal Advisory team to support clients remotely through the e-deal process.

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### Key elements of iDeal

- **Assist with market studies, target scanning and selection** – we can leverage our databases and expert networks to conduct market research and analyse the potential appeal of specific markets. We can also identify a long-list of targets via our proprietary databases and network of offices in China. Potential targets can then be contacted to obtain additional information and build profiles to form a short-list of Targets that merit more detailed assessment
- **KPMG’s Horizon scanning tool** – utilising the ageing profiles of private equity funds, proprietary resources/databases, and market scans that use media and related industry information feeds, our Target lists can be fine-tuned using numerous metrics
- **On-the-ground representation to facilitate negotiation** – under pre-agreed deal parameters and with support from your local China management, we can attend face-to-face meetings with the Target and facilitate discussions with the shareholders to agree on terms for an LOI and then for the definitive transaction documents. Your HQ M&A team could also attend such meetings remotely (utilising virtual/ video coverage or livestreaming) and we would regularly consult with you on key points
- **Virtual site visits** – our experienced video professionals, utilising professional standard pre- and post-production editing capability or livestreaming (where possible), can help you gain understanding of the Target company’s site and plant layout, quality, and location.<sup>2</sup> The finished footage can then be shared with you using various file-sharing platforms



- **Valuation support** – we can provide in-depth qualitative analysis of the Target's fundamentals along with insight as to 'U', 'V', or 'L' shaped industry rebound prospects and valuation impact under a post-COVID-19 landscape. We can also advise on COVID-19-related market considerations (to help ensure consistent, up-to-date, and appropriately adjusted financials and business plan relevancy)
- **Communication and facilitation** – we can provide on the ground assistance throughout the process with project management support, local market understanding, and communication between you, the Target's management, shareholders, and/or other potential stakeholders
- **Document sharing with KPMG's Secure Data Transfer Service** – our SDTS platform is a convenient way to securely exchange files between KPMG and your project teams inside and outside China, whether buy-side or sell-side, using the internet rather than email or external/USB drives. The service may be used to both provide and receive files
- **Technical support for the e-signing of documents** – our experienced legal teams can support you through the signing of the definitive documents and deal closing. The PDF version of the executed transaction documents could be exchanged over email and the originals would be mailed to the parties' designated addresses so as to legally complete the e-signing process under Chinese laws and regulations

1: Rhodium Group, 18 June 2010, <https://rhg.com/research/whos-buying-whom>

2: Access subject to consent from the companies and individuals being interviewed and recorded

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