

What InterChina Consulting Can Do For Chemicals Companies

Presented by: InterChina Consulting

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InterChina



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Management Consultants

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- I. **Strategy Development:** Expanding in China by deciding where to focus before committing resources.
- II. **Regulatory Lobbying:** Forming coalition to influence national standards to create product pull.
- III. **Distribution Solution:** Tailor-making distribution strategy to penetrate into addressable segments.
- IV. **Acquisition:** Acquiring downstream customers in assessed segments to ensure long-term sustainable competitive advantage.
- V. **Soft Due Diligence:** Removing the unclear risks in the negotiation process by checking on the soft issues in acquisition.

Case Study I: Market Entry Strategy

Expanding in China by deciding where to focus before committing resources

Starting Situation

- Client Profile: The client specialized in engineering plastics and films, and was one of the business units of a chemicals multinational.
- China History: The client had a history of exports to China, but their volume was limited, and their distributors were not providing any market transparency.
- Project Objective: To develop a market expansion strategy that would position the client for sustainable competitive advantage in China.

Execution

- Kick-Off Tutorial: The client conducted a 3-day product tutorial for the Project Team.
- Market Intelligence: The Project Team conducted 130 field interviews with customers, distributors and competitors across 7 market segments.
- Market Attractiveness: A detailed comparative analysis was conducted to determine the relative attractiveness of the market segments over the forecast period.
- Ability To Compete: The client's competitiveness was evaluated against the key success factors for each market segment.

Outcome

- Market Expansion Strategy: The Project Team presented its strategic recommendations for the prioritized target market segments and how best to serve those segments.
- Acquisition: Based on the recommendations, the client proceeded with the acquisition of a regional player that provided a local production facility, a complementary product portfolio and a much stronger distribution network.
- New Initiatives: Meanwhile, the client initiated an R&D project to develop a new product for an unmet need identified in the market, and commissioned a second strategy study with the same Project Team for one of its downstream businesses.

Case Study II: Regulatory Lobbying

Forming coalition to influence national standards to create product pull

Global Profile

- HQ: Europe.
- Sector: Fine chemicals
- Revenues (2007): ~€20 billion in 2007.
- Positioning:
 - Technology leadership.
 - Top performance.
 - Environmentally friendly.
- Global leader, China leader.

Operation in China

- Regional HQ: Hong Kong.
- 8 business units active in China, responsible for key functions such as research, development, production, technology and marketing.
- Supported by the service units, responsible for government relations, corporate development, process optimization and other business support activities.
- China Revenues (2007): ~ €2billion.

The Client had an over-engineered production plant in China that was not competitive in the Chinese market, despite having a safer product

Internal Issues

- One of the business units established a plant to produce ADDI® in Shanghai in 2002. All ADDI products contained a small amount of a toxic raw material, TOXI.
- The Client's plant was over-engineered for the Chinese market, with its ADDI® having a relatively low concentration of TOXI (0.2% vs. 2-4%) and thus high level of safety, but also high cost.

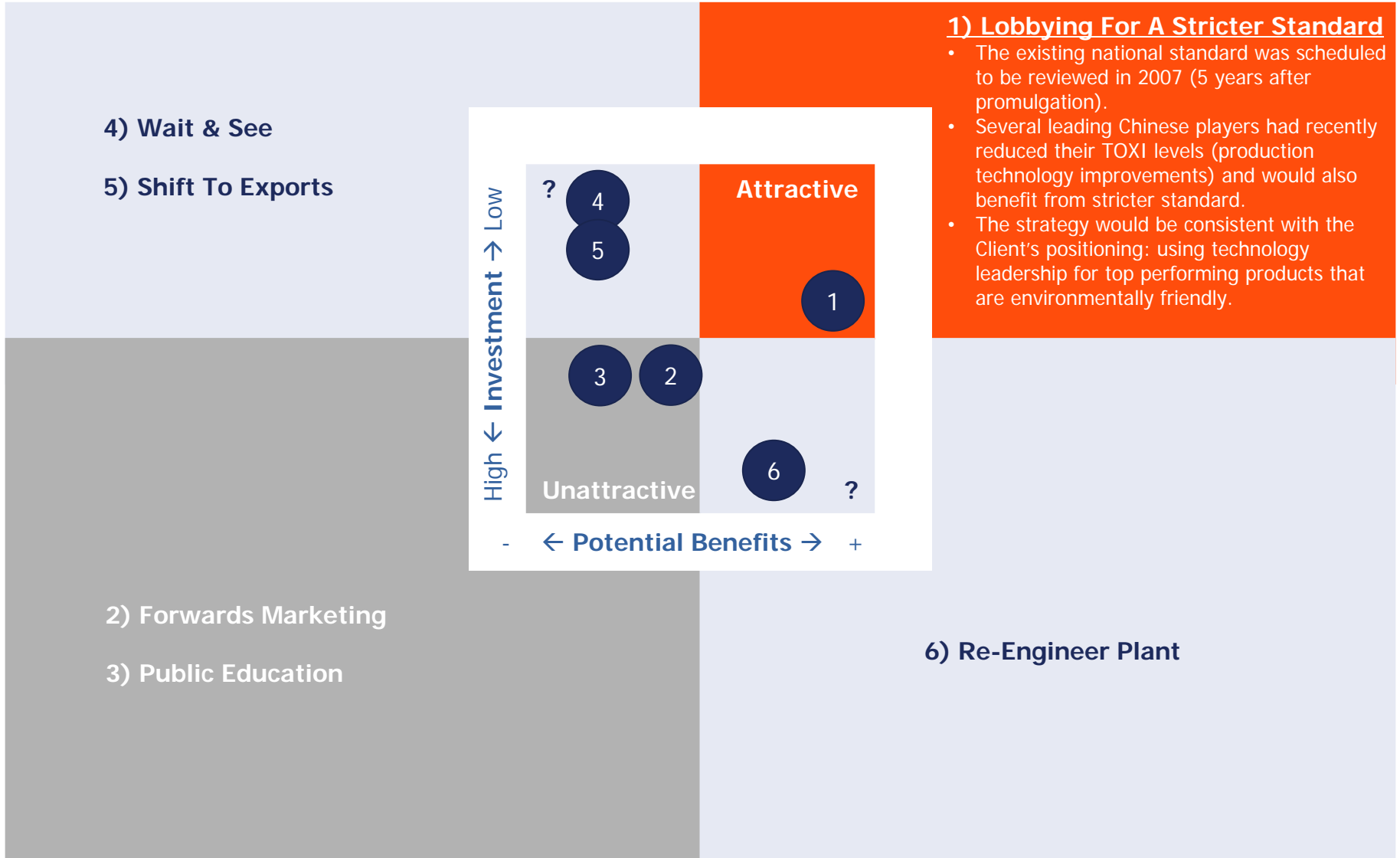
External Issues

- The existing compulsory national standard (promulgated in 2002) was very loose, only limiting the TOXI content of ADDI to 2%.
- In the majority of cases, downstream customers were not sensitive to the TOXI issue, as long as their ADDI suppliers followed the national standards.
- The Client's ADDI® was therefore considered unnecessarily expensive.

Strategic Challenge

- The Client's ADDI® was not price competitive in China.
- The Client's sales were limited to the multinational value chain (driven by global practices or corporate social responsibility) and Chinese customers that used the Client's ADDI® to dilute cheaper ADDI products.
- As a result, the Client's ADDI® plant was operating well under capacity. The financial performance was worryingly poor, and with no sign of a turnaround.
- The Client also considered the loose standard to be against China's interests (US and EU standards were much stricter).

Of the range of strategic options, the only attractive option was regulatory lobbying, and more as a last resort



Implementation required a carefully planned sequence of steps, with very practical tactics based on sensitivities and interests

Preparation

- Team: Multi-functional consultant and client team (incl. research, technical, academic, commercial etc).
- General Understanding Of Regulatory Context: Standards bodies, standards definitions and types, standards development process etc.
- General Forecast On Future Development: China's standards history, standards promulgation targets, need for external support etc.

Execution

- Lobby Framework: Understood the history of the existing standard, its review/revision mechanism and timing, and formal petitioning process.
- Lobby Targets: Identified relevant government bodies and decision-making issues, identified main individuals and their positions, established direct relationships.
- Coalition: Ran roundtables with value chain players to build awareness and consensus, drafted and submitted petition fronted by Chinese player with ~60 signatories, lobbied individual officials directly.

Outcome

- Timetabled For Revision: The relevant technical committee agreed to include the standard on its work agenda for revision (as opposed to review), and this was approved by the SAC.
- Revision Now Underway: The expected outcome is a stricter standard at the petitioned level. By shutting out low-end competitors, and increasing demand for high-end products, the Client's ADDI® business will benefit considerably.
- Wider Strategy: The Client's Greater China President became aware of the initiative's success, and is now championing a central lobbying structure and encouraging other BUs to consider regulatory lobbying.

Case Study III: Distribution Strategy

Tailor-making distribution solution to penetrate into addressable segments

Starting Situation

- Client Profile: Fortune 500 petrochemical MNC with strong background in lube products worldwide.
- China History: The client adopted the general distributor model in China, and was not so successful in the automotive lube market.
- Project Objective: To develop a practical distribution solution for the Client's automotive lube business that would make sure both quick-wins and sustainable competitive advantage in China.

InterChina's Approach

- Tap Into Downstream Expertise: InterChina leverage the 14-year experience in the automotive industry and the extensive networking to facilitate the project execution.
- Market Attractiveness: A detailed comparative analysis was conducted from multi-perspectives (i.e. demand pattern, competition scenario, and availability of qualified distributors) to determine the relative attractiveness of the market segments per product lines and per geographical coverage over the forecast period.
- Best Distribution Practices: The client's competitiveness was evaluated against best distribution practices for each market segment.

Value-added To Client

- Tailor-made Distribution Strategy: The strategic recommendations are based on the adaption of the Client's competitive advantages to China's reality. The new strategy positions the Client for sustainable competitive advantages in China.
- Practical Partner Search: InterChina recommends the Client a short list of distributor partner candidate after a systematic screening and evaluation process, balancing the short-term synergy and long-term co-operation potential. After this project, the Client is ready for the negotiation stage with the shortlisted distributors.

Case Study IV: Acquisition

Acquiring downstream customers in assessed segments to ensure the long-term sustainable competitive advantages

Starting Situation

- **Profile:** The Client, a leading European manufacturer of basic products for the chemical and pharmaceutical industry.
- **China History:** The Client has been eyeing China for a long time, with some modest import success.
- **China Issue:** China domestic demand surging, competitors beginning to encroach on Client's customer relationships.
- **China Objective:** Identify attractive customer segment in China, and ensure stable long-term product demand by acquiring downstream customer.

Acquisition Objectives

- Establish stable long-term customer relationship and gain foothold in the China market.
- Local production capabilities with the right cost structure matching the local market demand and needs.
- Future export base.

Project Objectives

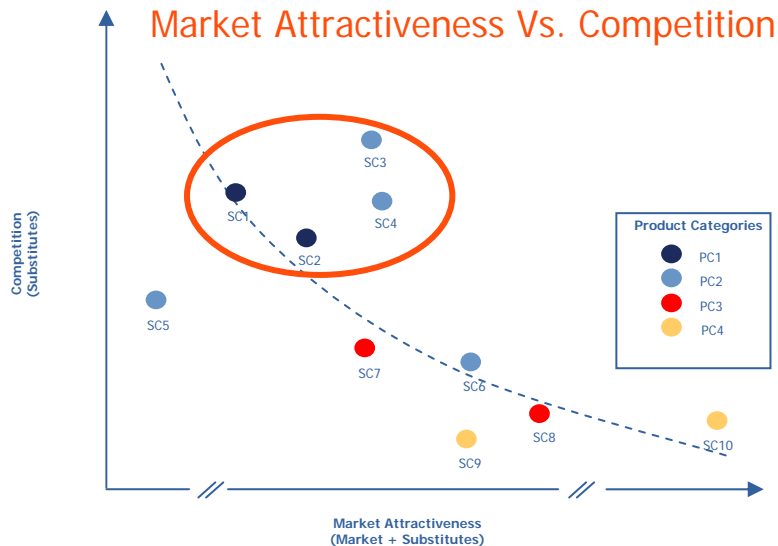
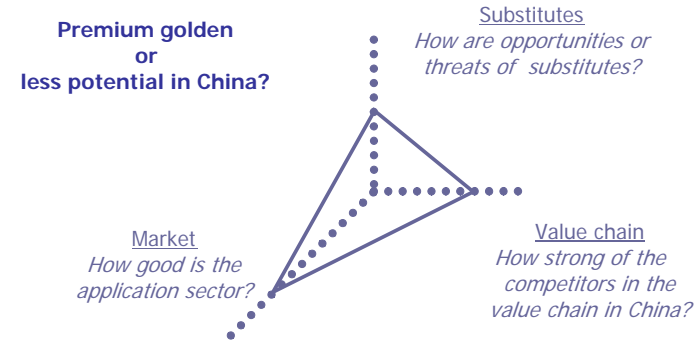
- **Successful acquisition** of a leading Chinese company whilst verifying strategic assumptions through **target search** and identifying all risks through thorough **due diligence**.

Note: Various details in this case study have been modified to protect the confidentiality of the client.

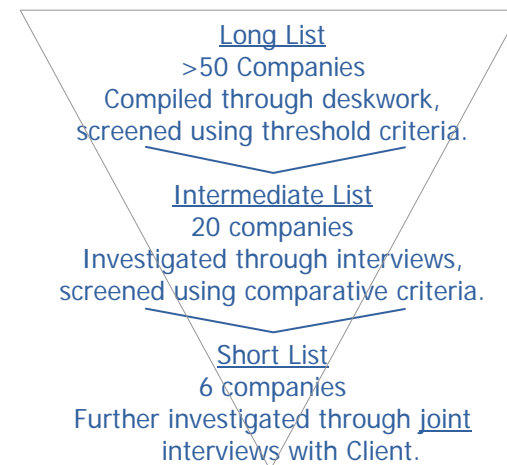
InterChina's pragmatic analysis framework ensures the effective selection of target segments and shortlisted companies

- As a starting point, the Client and InterChina selected the right downstream segments and then analyzed the most suitable companies in these segments.
- InterChina conducted ~40 interviews to gather sufficient market intelligence for a comparative analysis of the segments along designated parameters.
- After determining attractive segments, a Long List of >50 companies was compiled. As the research became more focused, the level of detail for each target profile deepened. InterChina frequently reviewed the Client's acquisition objectives to make sure it continued to make sense.

Analysis Framework



Target Screening



Comprehensive due diligence covers not only quantitative side, but also is a process to identify synergies and risks at a practical level

- InterChina conducted extensive and tailored due diligence on two targets.
- Due diligence included commercial, HR, financial, and legal evaluation.
- Beside valuation and price estimation of the target, the report focused on strategic recommendations and risk identification, on a practical level and fully understood by the Client's decision maker.
- Based on the due diligence findings, the Client decided to acquire one of the targets, whilst InterChina supported in negotiations and deal closure.

Adjusted Profit and Loss Account

Total net income in 2007 changes from RMB 3 million to RMB -2.6 million, with net margin rate from 3% to -3%

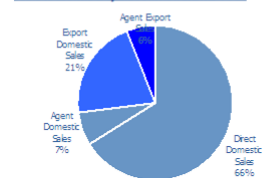
RMB in 000s	2005		2006		2007	
Net Sales	87,983	100%	151,915	100%	89,227	100%
Cost of Goods Sold	64,372	73%	105,191	69%	82,009	92%
Sales Taxes						
Gross Profit	23,611	27%	46,576	31%	7,218	8%
Operating Expenses	2,911	3%	4,140	3%	4,961	6%
Other Operating Income	120	0%	(757)	-0%	(796)	-1%
EBIT	20,579	23%	43,192	28%	3,054	3%
Financial Expenses	3,781	4%	3,744	2%	3,660	4%
Non-Operating Expenses						
Profit Before Tax	16,798	19%	39,448	26%	(607)	-1%
Income Tax	7,788	9%	16,628	11%	2,049	2%
Net Profit	9,010	10%	22,820	15%	(2,656)	-3%

Financial evaluation, and adjustment to post-acquisition reality

Sales Geographic Coverage

~70% sales orders were achieved in domestic market last year

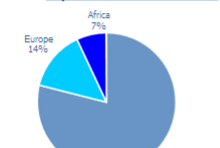
Orders value by destination in 2007



Observations

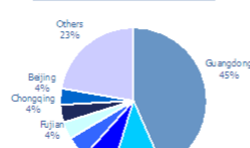
- In 2007, 27% of orders were export orders, while 73% were domestic orders
- In 2007, 87% of its orders were achieved by direct sales, while 13% of its orders were implemented through distributors
- Currently, the export VAT rebate rate of the Target' products is 13%, quite favorable comparing with other export products

Export destination in 2007



Key export Country	%
Japan	58%
South Korea	14%
Taiwan	8%
Others	6%

Domestic sales area in 2007



Commercial evaluation

InterChina's Deal Value Estimation

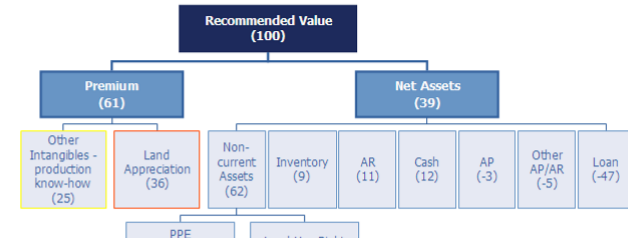
Value as RMB 100m (min RMB 85 million - max RMB 120 million)

DCF not applicable, using Trading Multiples:

Due to limitations on using DCF, we refer to Trading Multiples of 19 public companies for valuating Target

Fair market value (NBV) of RMB 100 million. Benchmarked with public companies:

Basing upon book value and sales revenues, we estimate the value of Target to be RMB 100 million (max RMB 120 million - min RMB 85 million). These figures are fair market value, considering over-priced domestic stock market, country risk, risk cooperation with a Chinese privately owned company and land appreciation



Valuation of the target

InterChina's negotiation support ensures the successful implementation of post-acquisition work on the client's side

Acquisition Steps

- **Negotiations:** Clear understanding of separate target stakeholders and their respective motivations and expectations. Management buy-in leading to acceptable deal price.
- **Government Lobby:** Gained strong government support. Identified significant relocation risk which was used to negotiate the price down.
- **Deal Structuring:** Acquisition of majority shares and capital injection. Pricing through NBV + Premium. Focus on management structure that ensures control over IPR and financial decisions.

Acquisition Outcome

- Successfully carried out the acquisition while minimizing the risk and uncertainty accompanying the investment.
- Retained key personnel essential to smooth transition and future operation of the company.
- Gained strong understanding of China market dynamics and was able to formulate effective post-acquisition strategy.

Case Study V: Soft Due Diligence

Removing the unclear risks in the negotiation process by checking on the soft issues in acquisition

Starting Situation

- **Profile:** The Client was a ~€0.5billion pharmaceutical intermediate group based in Europe.
- **China Objective:** The Client aimed to build a low cost production structure in China, firstly in intermediates + APIs, for supply to the Western markets.
- **Acquisition:** Having identified an API acquisition target, the Client conducted 3 due diligence studies (general, financial and legal).
- **Problem:** The next step was negotiation, but the Client was not confident it had sufficient understanding to begin negotiations.

Project Objectives

- Originally, the project objective was to advise the client through the negotiation process.
- InterChina reviewed the existing due diligence studies, and identified a number of unclear risks.
- These risks had no detailed explanation, no implication assessment, no opinion on relevance, and no advice on handling.
- As these would be important inputs into the negotiation, InterChina and the Client agreed to add a 'soft due diligence' step into the negotiation process.

The facilitation in soft due diligence is important to solve the sensitivities of key stakeholders

Soft Due Diligence

- Gained an actionable understanding of the unclear risks.
- Assessed the target's cooperation willingness and motives, including the key sensitivities of the stakeholders.
- Identified post acquisition considerations that would be important for sustainable success.

Negotiation Support

- Integrated the soft due diligence findings into the negotiation objectives and strategy.
- Provided ongoing assessment and advice to the Client throughout the process, while using the trust of both parties to facilitate the negotiation.
- Provided support on local government lobbying related issues.

Ownership

- Union: 30% shares held by 300 employees.
- Integrated: Main customer was also major shareholder.
- Executives: Interested in off-book compensation.

Land Transfer

- Expropriation: Leased land meant not legally direct beneficiary of compensation.
- New Site: Unclear feasibility of obtaining relevant permits/licenses.

Due Diligence Focus

Deal Structure

- Model: Decision to establish new company or continue existing company.
- Price: Inflated value expectations.
- Legal Guarantees.

Sustainability

- Management: Implications for business performance from management style becoming less 'Chinese' (costs, sales).

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A Wealth of Experience

One of the oldest and strongest consultancies in China



Typical Projects In The Chemical Industry (I)

Quick wins in top-line growth

Typical Problems

InterChina Approach

Value-added By InterChina

1. An export-oriented foreign invested client faced lower exports turnover, and was not well prepared for sales in the Chinese market.

- Prioritization of attractive downstream segments, and market intelligence on potential customers in China.
- Develop a systematic approach to redirect sales towards the domestic market, including revised sales structure.

- The Client shifted part of the business to the domestic market in 6-12 months.
- The Client maintained a reasonable capacity utilization rate of the production plant in China, which benefited the bottom-line performance.

2. A MNC client faced a slow down of sales because of aggressive competition, and asked for a quick solution.

- Competitor benchmark to identify the gap against direct competitors, especially in terms of best practices and the HR capacity related to key functions (i.e. sales).

- The Client implemented InterChina's recommendations to tailor-make the sales approach, and recruited one sales manager InterChina identified in the project.
- The Client caught up with the growth rate of major competitors in one year.

3. An MNC client faced top-line growth pressure, but didn't know how to tap into other downstream segments through distribution optimization.

- Based on the prioritization of attractive downstream segments, and market intelligence on potential customers, InterChina recommended a tailor-made distribution structure and desired distributor profile.
- Quick distributor partner search to contract the distributors in the prioritized segments.

- The Client balanced the sales pressure away from direct sales team. And the sales efforts are more focused with improved efficiency.
- The Client achieved two-digit top-line growth.

Typical Projects In The Chemical Industry (II)

Short-term top-line growth

Typical Problems

InterChina Approach

Value-added By InterChina

1. A specialized plastics MNC client targeted the top-line growth in China, but faced the lack of market transparency via import distributors.

- InterChina investigated and confirmed the large-enough potential of the positioning of the Client's products in China.
- Identification on 3 prioritized segments and tailor-made recommendations on how best to serve those segments.
- Distribution optimization in terms of distribution structure and best distribution practices.

- Full understanding of the China market situation now and in future, overcoming lack of transparency.
- Tailor-made strategy ensured double-digit growth in China.
- The Client acquired a regional player that provided synergy in production, product portfolio and distribution network

2. A lubricant MNC client faced a slow top-line growth due to improper distribution strategy in China.

- InterChina recommended a flat distribution structure to replace an unsuitable general distribution model in this maturing market.
- InterChina recommended on the best distribution practices, identified the gap with the Client's practices, and thereby provided the action plan.
- InterChina recommended 8 potential distributor partners, based on both the short-term synergy and long-term co-operation potential.

- The adaptation of flat distribution structure provided the client with a presence close to the market.
- The practical partner list made the Client ready for the negotiation stage. The Client quickly signed with 3 of the recommended partners.
- The implementation of best practices and new distribution structure/partners contributed to the successful expansion in previously weak geographic markets.

3. A fine chemical MNC client faced the problem in penetrating into some difficult segments (Taiwanese/ Japanese markets)

- Opportunity assessment confirmed the market potential and relative importance of these difficult segments.
- InterChina identified the strategy to work with partners (i.e. distributors) with the special access into these difficult segments.
- InterChina recommended 2 distributors for the Client.

- The Client added a strong top-line growth engine to the customer base.
- The Client "copied" this thinking into other business units.

Typical Projects In The Chemical Industry (III)

Medium-term top-line growth

Typical Problems

InterChina Approach

Value-added By InterChina

1. **The MNC client had an over-engineered production plant in China with difficult sales of its expensive products.**

- After considering various available strategic options, InterChina recommended the creative solution of lobbying the revision of the China's out-of-date national standard.
- InterChina checked the lobby framework, identified lobby targets, and worked out the coalition scheme on behalf of the Client.
- InterChina worked with the Client to put the whole lobby process (research, strategy, implementation) into practice.

- The resulted revision of the standard is much stricter.
- Therefore, by shutting out low-end competitors, and increasing demand for high-end products, the Client's business benefited considerably.

2. **A MNC client looked for the non-organic growth opportunity in China, but lacked the right framework and strong local expertise.**

- InterChina conducted target search in 2 prioritized downstream segments, and ended up with 3 potential targets with high synergy for the client.
- Thorough due diligence: comprehensive due diligence covered not only quantitative side, but also was used to be a process to identify synergies and risks at a practical level.
- Practical deal making: InterChina provided the negotiation support and deal structuring services. The deal structuring focused on management structure that ensured control over IPR and financial decisions.

- The Client acquired one recommended partner after <2 years, and successfully added a strong product line into the existing portfolio.
- Because InterChina verified the strategic assumptions during the whole process, the acquisition was very successful.
- The successful post-acquisition management plan retained key personnel essential to a smooth transition and the future operation of the company.

3. **A medium-size client had identified a target company to acquire, had conducted 3 Due Diligences, but was still not sure how to negotiate with the target.**

- InterChina identified the needs of soft due diligence, that is, the risk factors that were covered by the previous DD studies (general, financial and legal DD previously done), but not evaluated in sufficient detail.
- InterChina put the right focus on the issues related to the sensitivities of key stakeholders (e.g. ownership and land transfer), and made the practical action plan.
- InterChina identified post acquisition considerations that would be important for sustainable success, and developed the action plan around those issues.

- InterChina's advice provided the in-depth understanding on "soft" issues that is key to the M&A negotiation, and the practical framework to mitigate these risks.
- InterChina provided extra support on local government lobbying related issues to speed up the whole acquisition process.

InterChina's Chemical Experience

Retained from **8 years** of projects in chemicals and downstream sectors

Retained Experience

- InterChina has been consulting in the Chemicals Sector since 2000.
- Not only have we participated in the rapid evolution of the sector, but as we have maintained one of the most stable Consulting Teams in China, we have hence retained the valuable experience gained.
- This puts us in a unique position and allows us to deliver unmatched value to our Chemicals Clients.






Breadth and Depth

- As Chemicals Clients commonly having diversified customer bases, we are able to leverage our experience from a broad range of related downstream sectors to benefit our Chemicals Projects, particularly Strategy Projects.
- These sectors include automotives, machinery, healthcare, construction, garments & shoes, sports & leisure, consumer electronics etc.

Client Group	Typical Clients	Typical Services
Intermediate Chemical Manufacturers	<ul style="list-style-type: none"> • Resins • Hardeners • Additives • Ferroalloys 	<ul style="list-style-type: none"> • Market Intelligence • Competitor Benchmarking • Opportunity Assessment • Strategy Development • Company Establishment (Joint Ventures and WFOEs) • Mergers & Acquisitions • Distribution Structuring • Recruitment
Functional Chemicals Manufacturers	<ul style="list-style-type: none"> • Plastics • Thermoplastics • Technical Films • Paints & Coatings • Glues & Resins • Water Treatment Chemicals • Construction Chemicals • Chemical Fibers 	
Third Party Institutions	<ul style="list-style-type: none"> • Chambers of Commerce • Sector Associations • Regional Industrial Associations • Government Bodies • Tradeshows 	<ul style="list-style-type: none"> • General Sector Studies • Syndicated Market Intelligence

Key Staff Of ICC's Chemical Sectorial Group






Accumulated chemical project experience and extensive industrial network

	Languages	Experience & Expertise	Qualifications
 Simon Zhang	Chinese, English	<ul style="list-style-type: none"> • 5 years with ICC. • Leader of Chemical Sectorial Group of ICC. • Prior work experience with Sinopec Petrochemicals. • Proven consulting expertise in chemicals, auto, energy, and distribution industry. • Specialist in entry/expansion strategy, business plan, market intelligence, target search and due diligence. 	<ul style="list-style-type: none"> • BA (Southeast University, China) • MBA (Cranfield School of Management, UK) • ACIM (Associate of Chartered Institute of Marketing)
 James Sinclair	English, Chinese	<ul style="list-style-type: none"> • 5 years with ICC. • Worked with Fiducia Management Consultants. • Proven consulting expertise in chemicals (DuPont, Bayer etc.), auto, energy, steel and construction. • Specialist in strategy consulting, market intelligence, entry point analysis, value proposition development, and competitive positioning. 	<ul style="list-style-type: none"> • MEng (university of Durham, UK) • MA in Chinese studies (University of London, UK)
 Deng Sanhong	Chinese, English	<ul style="list-style-type: none"> • 7 years with ICC . • Worked with L.E.K. Consulting. • Proven consulting background in auto, chemicals (Bayer etc.), infrastructure, and environment. • Specialist in market entry & expansion strategy, distribution strategy, industry benchmarking, government relationship management. 	<ul style="list-style-type: none"> • BA (Beijing University, China) • MBA (CEIBS, China)
 Matias Miao	Chinese, Spanish, English	<ul style="list-style-type: none"> • 10 years with ICC. • Prior experience with China Eastern Airlines, Caster Rubber (Guangzhou). • Expertise in project implementation & coordination (Dynasol, CEPSA etc.), government relations & negotiation. 	<ul style="list-style-type: none"> • BA Spanish Language (Shanghai Inter. Studies University, China) • MBA (Management School of Maastricht, Netherlands)
 Johnny Huang	Chinese, English	<ul style="list-style-type: none"> • 5 years with ICC. • Worked as Infrastructure Project Manager in China and Africa (Construction, and water treatment etc.). • Proven consulting expertise in chemicals, pharma, coating, construction and machinery industries. • Specialist in market intelligence, opportunity assessment, strategy building-up, and distribution strategy. 	<ul style="list-style-type: none"> • BA in Chemical Engineering (East China University of Science and Technology, China) • MBA (Birmingham University, UK)



More Key Staff In M&A And Chemical Industry

Unique combination of skills sets and experience

		Languages	Experience & Expertise	Qualifications
Jan Borgonjon		Dutch, Chinese, English, French, Spanish	<ul style="list-style-type: none"> Resident in China for over 20 years. Established InterChina in 1994. Management over ~50 projects in various industries in China. Top level negotiation and lobbying. 	<ul style="list-style-type: none"> BA (Leuven University, Belgium) MBA (Henley, UK) Founder of CEIBS, Shanghai
Huang Qingbo		Chinese, English	<ul style="list-style-type: none"> 13 years with ICC. Prior roles in domestic trading company, foreign beverage company, & management consultancy. Expertise in negotiation with Chinese enterprises and institutions. 	<ul style="list-style-type: none"> BA (Beijing University) MBA (CEIBS, Shanghai)
Eduardo Morcillo		Spanish, Chinese, English	<ul style="list-style-type: none"> 10 years with ICC. Worked with Sinclair Roche & Temperley, Credit Suisse Asset Management & Spanish Investment Office(Beijing). Expertise in M&A, JVs, & corporate restructurings. Coordinated 15 M&A and Alliance projects in various industries in China. 	<ul style="list-style-type: none"> BA Law (Carlos III University, Spain) MA International Trade & Investment Law (University of Newcastle upon Tyne, UK) EMBA (IESE, Spain)
Laura Tsui		Chinese, English, Spanish, Italian	<ul style="list-style-type: none"> 11 years with ICC. Experience in management positions in multinational companies. Expertise in negotiation support and DD. 	<ul style="list-style-type: none"> MA General Linguistics (Beijing Foreign Studies University) PhD Language Philosophy (Universidad Autonomoma de Madrid) Advanced Management Diploma (CEIBS)
Barry Chen		Chinese, English	<ul style="list-style-type: none"> 20 years consulting and finance experience. Closed over 30 M&A and divestiture transactions. Diverse international experience in various sectors. Expertise in corporate finance, M&A advisory, divestiture, restructuring, transaction management; valuation, due diligence and negotiations. 	<ul style="list-style-type: none"> BA, Zhongnan University of Economics and Law (Wuhan, China) MBA, Asian Institute of Management (Manila, Philippines)

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InterChina In A Nutshell

A boutique consultancy, with a strong past, and a strong future

- Boutique Consultancy
 - China specialists
 - Strategy, Corporate & HR
 - Sector expertise
- Our History
 - Established in 1994
 - Bicultural partnership
 - Partners are active consultants
- Our Scale
 - 6 offices
 - 60 consultants



- Our Clients
 - Western companies
 - Medium sized to Fortune 500
 - Entering or expanding in China
- Signs of Success
 - Repeat business is $\frac{2}{3}$ of project load
 - Sustained yet sustainable growth



InterChina's Market Positioning

A leading consultancy in creating value for Clients in China

The Consultancy Playing Field in China

Creation of Value for Clients

- Strong capacity, both in terms of resources and access to resources.
- Track record of successfully positioning clients for sustainable competitive advantage.



Practical Approach

- Great emphasis on fieldwork based research, development of workable solutions and battling for Client's best interests.

Stable Team

- Unique corporate culture, resulting in the most stable Consulting Team in China, all leveraged to benefit our Clients.

Value for Money

- Strong belief that Clients should receive value for money.

Specialization in China Consultancy

- Focused on China only
- Specialized in value added services
- Expertise in China's key sectors
- Relentless Client focus

Specialized In Value Added Services

Strategy, corporate and human resources consulting

Strategy Consulting



Strategy Services

- Developing Understanding & Insight
- Identifying Entry Points
- Prioritizing Target Markets
- Designing Value Propositions
- Determining How Best To Deliver
- Supporting With the Delivery

Corporate Consulting



M&A Services

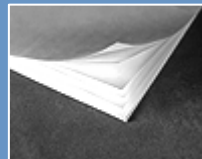
- M&A Strategy
- Target Search
- Due Diligence
- Valuation
- Negotiation Support
- Deal Making



Company Establishment Services

- Location Selection
- Partner Identification & Evaluation
- Business Plan Localization
- Negotiation & Lobbying
- Company Incorporation

Human Resources Consulting



HR Services

- Recruitment
- Employment Policy
- Employee Retention
- Employee Conflict Resolution

Expertise In China's Key Sectors

We have participated in the rapid evolution of these sectors in China



Automotive



Energy & Power



Machinery



Chemicals



Healthcare



Food & Beverage



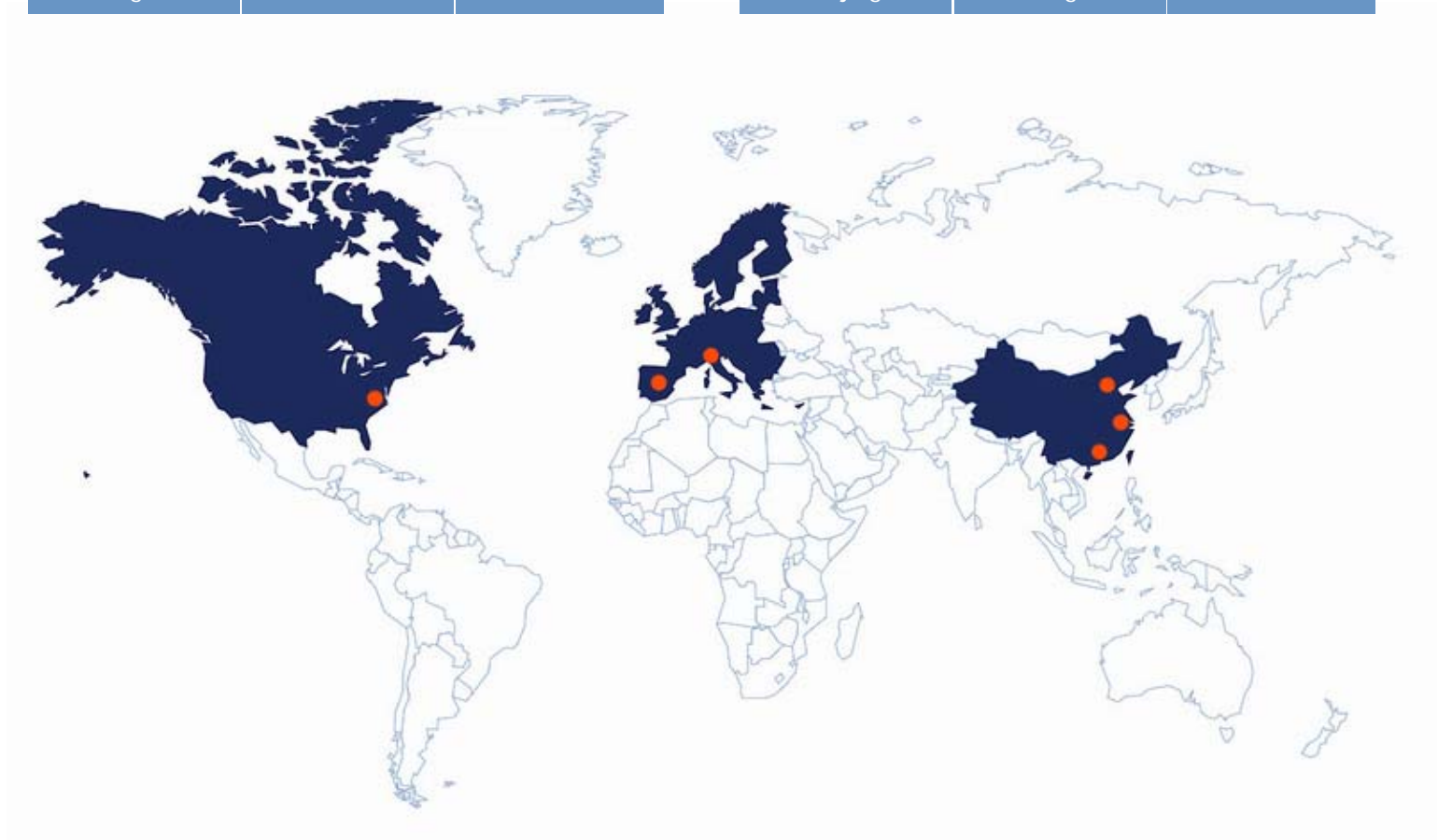
Distribution
& Retail

InterChina's Footprint

Operations offices close to areas of main business activity in China

Client Liaison Offices		
Washington DC	Madrid	Milan

Operations Offices		
Beijing	Shanghai	Shenzhen



Global Reach, Local Presence

Sole Chinese partner of international M&A network

IMAP is an exclusive global partnership of leading M&A boutiques

All IMAP Members are selected professionals which are mainly involved in M&A activity and related Corporate Finance Services. Each member is a leader in its geographical area and is a specialist in middle market transactions, typically between USD 5m and USD 250m



IMAP Offices (114)

40 Countries

400 Professionals



Leading Mid Cap M&A global network

Number	Company	Transactions
1	PricewaterhouseCoopers Corp Fin	252
2	KPMG Corp Fin	241
3	IMAP	220
4	Rothschild	207
5	Deloitte	164
6	Ernst & Young	159
7	UBS	152
8	Goldman Sachs	142
9	Citigroup Inc	142
10	Morgan Stanley	141
11	JP Morgan	131
12	Deutsche Bank AG	126
13	Lazard	118
14	ABN AMRO	118
15	Merrill Lynch	103
16	Credit Suisse	87
17	Lehman Brothers	82
18	BNP Paribas SA	76
19	M&A International Inc	74
20	Global M&A	72

Source: Mergermarket

InterChina's Partnership Structure

InterChina's Partners are active consultants in the company



Jan Borgonjon
Chairman



Long Nanyao
Vice-Chairman



Wu Zhifang
Partner



Eduardo Morcillo
Partner



Laura Tsui
Vice-Chairman



Huang Qingbo
Vice-Chairman



James Sinclair
Partner



Maria Wang
Partner

Stable Consultancy Team

Our very high rate of retention is unmatched in China



Real Teamwork

- Our clients benefit from the **efficiency and effectiveness** that only result from having an established Consulting Team.

Personal Resources

- Our clients benefit from the **experience, knowledge and contacts that have been retained** within the company.

Confidentiality

- Our clients benefit from the **protection of client confidentiality** that only a high consultant retention rate can ensure.

Familiar Faces

- And our clients benefit from the **continuity of working with the same consultants** over time.

Shanghai

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