



Financial Strategy and Risk Management for Cross-border M&A

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Financial Strategy for Cross-border M&A



Financial Strategy for Cross-border M&A

Target Selection Strategy

Related-Business Principle

Target company is in the related business fields with your own company.

Reasonable Valuation Principle

Reasonable valuation for the Target company

Synergy Approach Principle

The success of M&A depends on not only what the Target Company provides , but more important, also what the Company can provide.

Target company can help to strengthen capabilities of your own company, like technology, sales channel, operations, talents, etc. And your company can provide resources, cash, or China market place which the Target company needs.

Resource and Capability Principle

Your company has capabilities to accomplish the M&A, like talents, financial resources, expertise and experience, etc.

Financial Strategy for Cross-border M&A

Negotiation Strategy

Equal

Mutual Beneficial

Respect

Reasonable Expectations

- **Satisfaction of customers:**
provide excellent products and services
- **Satisfaction of target company:**
respect the value of the target company
- **Satisfaction of target company's employees:**
“people-oriented”
- **Satisfaction of government:**
tax payment, employment and the social responsibility
- **Satisfaction of investors:**
achieve the strategy target

Financial Strategy for Cross-border M&A

Financing Strategy

Cash Flow of the Company

Loans from domestic and overseas banks

International Capital Markets

Vendor Loan

Risk Management for Cross-border M&A



Risk Management for Cross-border M&A

Strategy Risk

Reason for M&A

Clarity of Strategy Target

Analysis of Strategy

Analyze the internal capacity, the gap of the company, and find the way to bridge the gap

The Way of M&A

Risk Management for Cross-border M&A

Business Risk

Due Diligence

Right Timing for Negotiation and Transaction

Design for Transaction Price

Concentrate on the “visible” matters and pay more attention to the “invisible” matters

Phased Transaction Arrangement

Business Assessment for the Target Company

Risk Management for Cross-border M&A

Legal Risk

Professional Legal Team

Professional legal team consisting of lawyers from home country, host country and other related countries

Political Risk

Public Relation Risk

Trade Union Risk

Risk Management for Cross-border M&A

Integration Risk

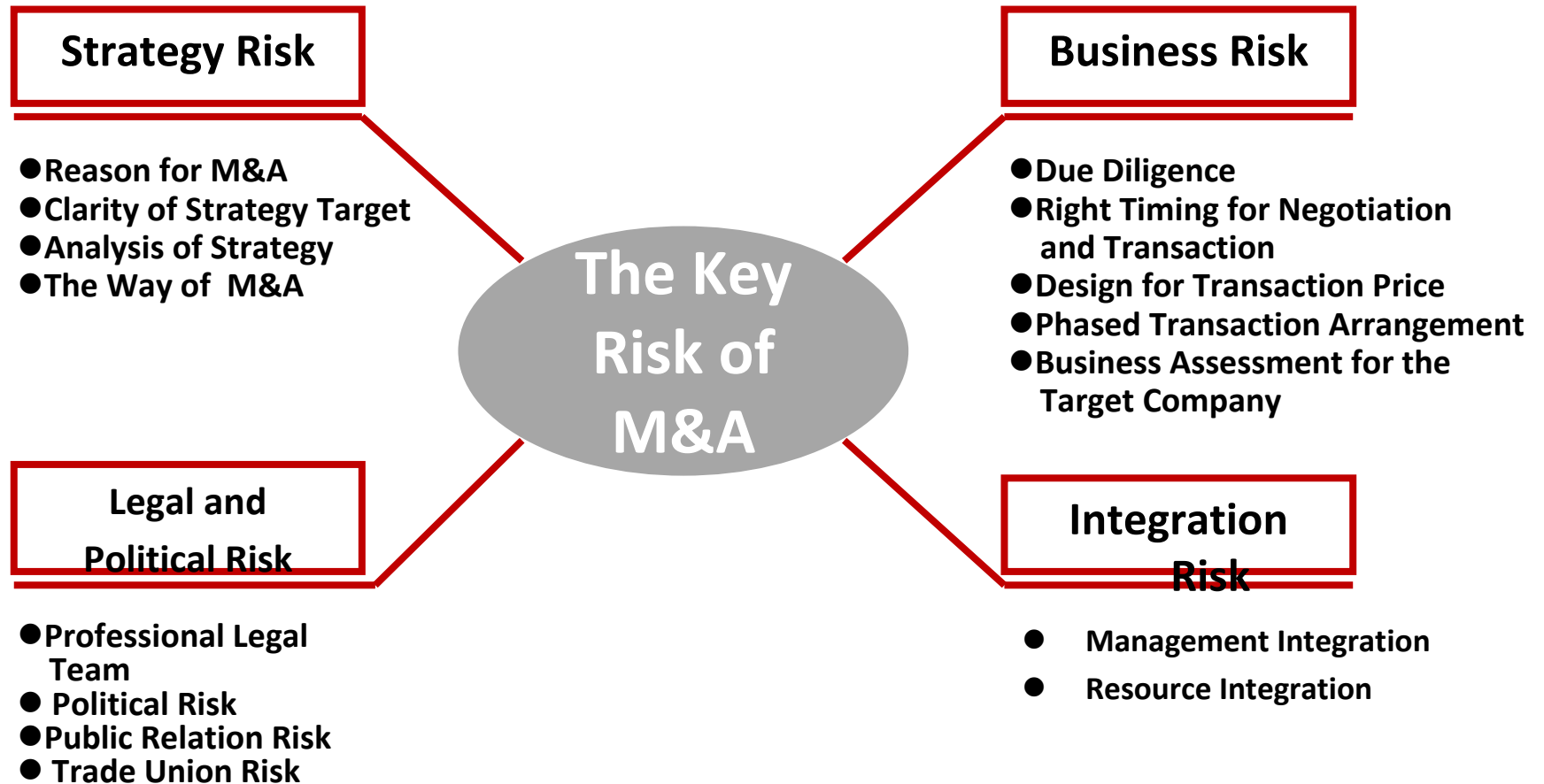
Management Integration

Culture conflicts and integration of human resources

Resource Integration

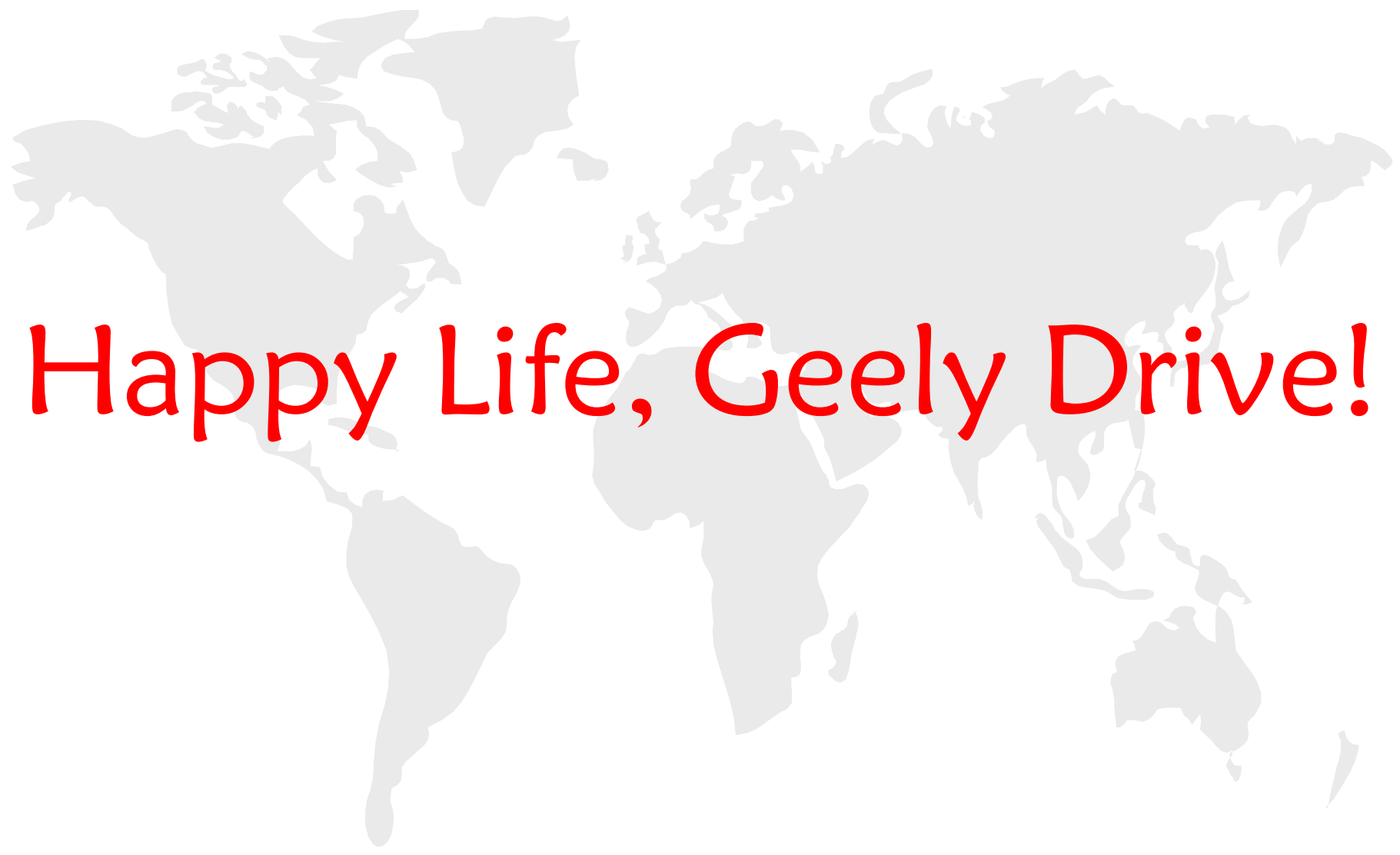
Integration of procurement, R&D, production, sales, service

The Key Risk Management of M&A



Questions in the process of M&A:

- What is the operation strategy of our company?
Is M&A the only way?
- What do we expect from the target company?
 - What's the strategy target of our company?
 - The key factors contributed to the success or the failure of the target company.
- What can we provide for the target company?
 - Can we copy the advantageous resources and the core competence to the target company?
- Do we have abundant talents resources?
 - Enough for M&A and the operation of the target company?
- Do we have a clear plan for integration?
- Do we have alternatives?



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