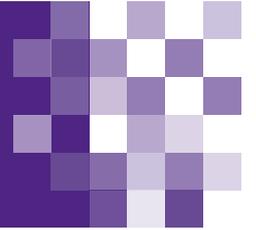


OFFSHORE-i

SECOND QUARTER 2014



**/EXPERT INSIGHT INTO
THE WORLD OF OFFSHORE
TRANSACTIONS/**

**CONTENTS/
INTRODUCTION [2]
EXECUTIVE SUMMARY [4]**

INTRODUCTION



Cameron Adderley
Partner & Global Head of
Corporate & Commercial

Welcome to the second edition of Offshore-i for 2014, where we present our quarterly analysis of mergers and acquisitions data for the offshore region. On the following pages we review deal activity levels during April to June of this year.

Offshore-i provides insightful data on the transactions taking place across the world's major offshore jurisdictions where Appleby conducts its business on a day-to-day basis. These jurisdictions are key financial centres and provide critical links in the flow of trade and investments worldwide. While this report has nine countries within its remit, the interdependence of offshore economies and several, much larger, onshore markets provides a useful indicator of the health of the global M&A markets.

With this in mind, the insights we deliver in this quarter's report once again make for optimistic reading. The number of deals done in 2014 remains locked at well over 600 deals a quarter, having dipped into 500s on several occasions over the previous three years.



Frances Woo
Group Chairman &
Managing Partner
Hong Kong

More interesting and as encouraging, however, is the story this quarter for deal values, which jumped considerably for the third time in a row. At USD80.9bn, Q2 2014 is up 23% on Q1, which at USD65.6bn was in turn up 23% on the fourth quarter of 2013. Q2 2014 is the sixth consecutive quarter during which offshore M&A deal values have been steady or increased, and Q2 2014 is, barring one outlier, the highest value quarter of the past decade. Given that the first half of the year is frequently quieter than the second half, this a very encouraging development.

This quarter's average deal size for offshore transactions stands at USD128m. This figure has only been topped once in the past decade, and current trends put 2014 ahead of the high-point in 2007, when the annual average transaction value was USD100m. Offshore as a region now sits in fourth place by deal values behind only the three regional giants - North America, Western Europe and Asia. However, the average transaction that took place offshore in Q2 2014 was 8% larger than in North America; 73% bigger than in Western Europe; and three and a half times the size of the average deal done in the Middle East.

A final note on the robust health of the offshore region can be taken from the acquirer data. The bulk of this report centres on the activities of international acquirers buying offshore assets, but we have long taken an interest in offshore companies themselves making acquisitions. This quarter was a record-breaking one for such deals, with offshore outbound transactions worth a total of USD84bn.

“This quarter is, barring one outlier, the highest value quarter of the past decade.”

INTRODUCTION cont'd.

Of particular interest is the USD36bn deal announced by Hong Kong banking group CITIC Pacific to acquire assets from its state-owned Chinese parent CITIC Group Corporation, but there are 10 further acquirer deals worth over USD1bn each.

We have come to regard the health of the offshore markets as a welcome sign of returning health on a global level, and we hope that this proves to be the case. Of course these figures give only a snapshot, and actual, sustained recovery may yet prove elusive in the long term. Quarterly numbers can also be easily distorted by one or two eye-popping transaction sizes, of which we are always mindful.

A note of caution is the fact that North America stands out as the only world region to have seen a drop in cumulative deal value in Q2 2014. Accounting as it does for over a third of global deal spending, this region's 14% downturn in deal value should not be overlooked and may be a forewarning of a future global trend. The continuing escalation of tensions between Russia and the West over Ukraine, and the imposition of sanctions on both sides, could also yet have a significant impact on regional and even global M&A activity.

Nevertheless, at the halfway point last year average offshore deal sizes were half what they are today, and they were on a downward trajectory. The talk was of recession, insolvencies, and sovereign debt crises in Europe. Today IPO lawyers are in great demand, and sentiment has quite noticeably shifted. We only hope that remains the case for the rest of this year and beyond.

We trust that you find our analysis on the following pages useful. Please don't hesitate to get in touch with your usual Appleby contact should you have any questions.

Appleby
September 2014

“...the average transaction that took place offshore was 8% larger than in North America; 73% bigger than in Western Europe; and three and a half times the size of the average deal done in the Middle East.”

EXECUTIVE SUMMARY

There are a number of key themes that emerge from the statistics outlined on the following pages. In particular:

- **There were 632 deals in the quarter**, which is marginally down on the 642 recorded in Q1 2014, but based on previous periods this figure is likely to go higher as late deals are reported.
- **The value of deals in Q2 2014 was USD80.9bn which is the second highest quarterly deal value in the past decade.** The value of deals for the quarter represents a 23% increase on the previous quarter, and is the sixth consecutive quarter without decline and with an upward trend overall.
- **The average deal size for transactions completed offshore in Q2 2014 was USD128m. This has only been topped once in the past decade, and current trends put 2014 ahead of the average deal size high-point of 2007**, when the annual average transaction value was USD100m.
- **There were 13 deals worth in excess of USD1bn this quarter**, compared to four in Q2 2013. Four deals were worth over USD2bn, most notably the USD20bn planned IPO of Alibaba Group on the New York Stock Exchange.
- **Half of the top 10 deals this quarter were online businesses, and Information and Communication was the leading sector** as a target for offshore deals. This is the first time since the end of 2012 that Financial and Insurance Activities was not the leading sector. In fact this quarter it was relegated to third place, behind the manufacturing sector.
- **The most popular type of deal was once again minority stake transactions**, which accounted for more than half of all offshore deals. In value terms, minority stake deals only just exceeded acquisitions and planned IPOs in Q2 2014.
- **It was another strong quarter for IPO activity, marking the second busiest quarter for IPOs since the start of 2012.** There were 52 debut listings either announced or completed by offshore companies in the period. This is well up on the 37 seen last quarter. The HKEX, NYSE and London AIM markets have been particularly popular.
- **The Cayman Islands was the top target destination for deals with 205 deals announced worth a total of USD40.6bn**, accounting for 32% of all offshore deals and half of all dollars spent on offshore targets.
- **Q2 2014 was a record-breaking quarter for outbound deals.** Cumulative acquirer value was up 63% on the preceding quarter, helped in large part by the USD36bn deal announced by Hong Kong's CITIC Pacific to acquire assets from its state-owned Chinese parent CITIC Group Corporation.
- The offshore region remains at sixth in our world region ranking by deal volume for Q2 2014, and retained the fourth spot in value terms, which it reached for the first time in Q1 of this year. **The average deal size offshore was higher in Q2 that it was in any other world region except South and Central America.**

Q2, 2014: SNAPSHOT

632

Total number of deals

81 USD bn

Total value of deals

Information & Communication

No. 1 sector

Hong Kong

Top acquirer

Minority Stake

Favoured type of deal

Cayman Islands

Top target

LOOKING FOR OFFSHORE TRANSACTIONS ADVICE?

The Corporate & Commercial group at Appleby is among the largest and most widely recognised in the offshore world. Our multi-disciplinary teams advise a large number of FTSE 100 and Fortune 500 companies on all aspects of corporate and commercial law, focusing on mergers and acquisitions, corporate restructurings, joint ventures, capital markets and investment funds.

Our lawyers are part of a truly international practice operating from our offices in Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, Hong Kong, Isle of Man, Jersey, London, Mauritius, the Seychelles, Shanghai and Zurich. Our network enables us to service our clients all over the world, including the key developing regions and, in particular, the BRIC economies.

Appleby's cross-border Corporate & Commercial team works closely with our global Fiduciary & Administration group, which provides offshore company incorporation, management and administration services to our domestic and international clients in all locations.

ABOUT APPLEBY

Appleby is one of the world's largest providers of offshore legal, fiduciary and administration services. We have around 800 people, including 68 partners, operating from 12 offices around the globe. This includes the key offshore jurisdictions of Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, Isle of Man, Jersey, Mauritius and the Seychelles, as well as the international financial centres of London, Hong Kong, Shanghai and Zurich. Together, our teams service clients based all over the world.

We advise global public and private companies, financial institutions, and high net worth individuals, working with them and their advisers to achieve practical solutions, whether in a single location or across multiple jurisdictions.

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RESEARCH METHODOLOGY

This report details mergers and acquisitions activity in offshore jurisdictions in Q2 2014 using data from the Zephyr database, published by BvD. The offshore region covers target companies in Bermuda, British Virgin Islands, Cayman Islands, Hong Kong, Guernsey, Jersey, Isle of Man, Mauritius and Seychelles.

The date range is 01/04/2014 – 30/06/2014 inclusive. Deal status is as announced within the time period covered. Where necessary, deal values have been converted to USD at a rate set by Zephyr. Not all deals have a publically known value. Not all deals are reported immediately, so the figures are subject to change as new information becomes available.