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China Cross-Border Monitor +

The Rise of Middle Market M&A: Q3 2024 Update

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After a weak start to the year, the third quarter of 2024 confirms that the post-COVID rebound remains strong. Chinese investors continue to focus on the automotive, energy, and minerals sectors. Europe and Asia were top destinations, with middle market M&A transactions gaining momentum.

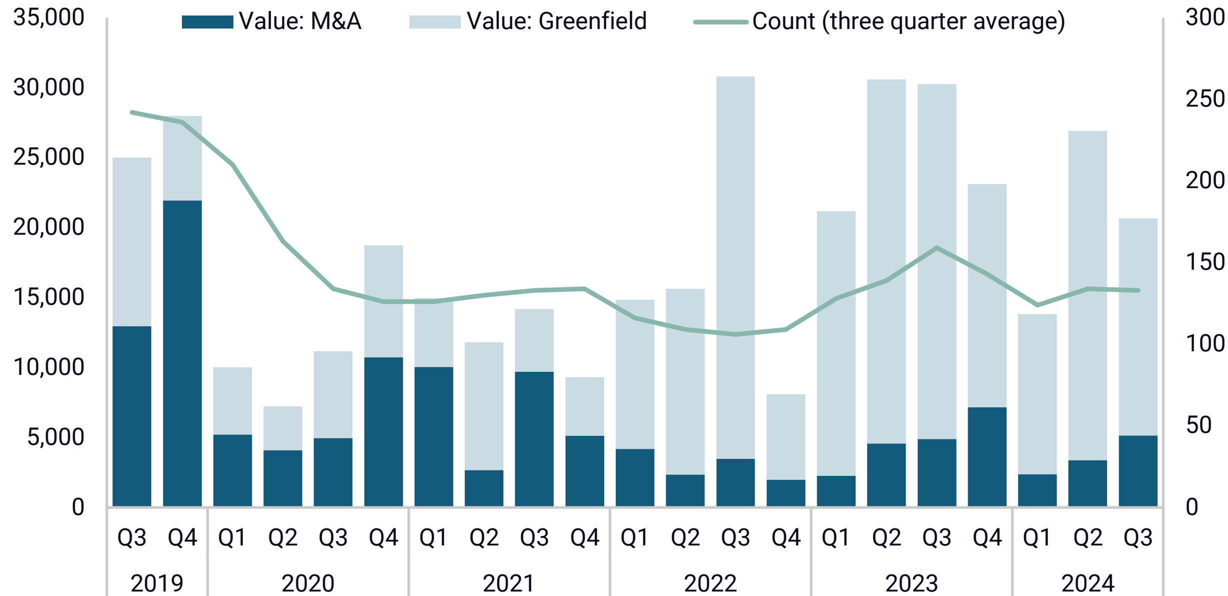
Investment momentum

Chinese outbound investment **momentum** remains solid. In the third quarter of 2024, we recorded 108 major outbound foreign direct investment (OFDI) transactions by Chinese companies, with a total estimated value of $20.67 billion. This marks a 23% decrease in investment value compared to the second quarter of 2024 but remains around the quarterly average for 2023 and 2024.

Greenfield projects have lost some momentum compared to the previous quarter, with $15.52 billion in new investments, representing a 34% decrease from Q2 2024. New projects were generally less capital intensive, with only one transaction breaking the multibillion-dollar mark—a $3 billion oil refinery project in Liberia built by Sumec. There were four $1 billion transactions, including BYD's electric vehicle manufacturing plant in Turkey.

Newly announced **mergers and acquisitions (M&A)** jumped to more than $5.15 billion, a 52% increase from last quarter. The main growth drivers are middle-market M&A transactions valued between $100 million and $1 billion, such as China Merchant Capital's acquisition of a 40% stake in HKT Limited's Regional Link Telecom Services ($870 million), Dongfang Hengxin Asset's acquisition of Samsung SDI's battery polarizing film business in South Korea ($834 million), and Global New Material's acquisition of Merck's pigments business in Germany ($720 million). Over the past five quarters, the number of middle-market acquisitions has increased by 45% compared to the preceding five quarters, with 52 transactions recorded.

FIGURE 1
Announced major Chinese FDI transactions by quarter
USD million (left) and count (right)



Source: Rhodium Group China Cross-Border Monitor

Notable **transaction status updates** in Q3 include the start of construction on the $1.7 billion Funan Techo Canal public-private partnership project in Cambodia, where China Road and Bridge Corporation holds a 49% stake. ZC Rubber's also broke ground on its $500 million tire facility in Mexico, and Envision Energy's commenced work on its $2 billion battery plant in Spain. Completed transactions include Linglong's $994 million tire manufacturing facility in Serbia and BYD's $492 million assembly plant in Thailand.

Meanwhile, two battery manufacturing projects in Sweden have been delayed: Volvo Trucks postponed the construction of its battery plant by one to two years and Putailai's battery plant is still awaiting environmental approval. Alibaba Cloud announced this quarter that it closed its data centers in Australia and India in September. Government scrutiny of Chinese investment remains strong. In the US, biotech company WuXi is considering divesting some of its US operations while Gotion's planned battery plant in Michigan has been caught up in electoral politics with Donald Trump voicing its opposition to the project. In the Democratic Republic of Congo, the government is opposing the acquisition of a copper-cobalt mine by Chinese arms manufacturer Norinco.

Investment by sector

Investment in the third quarter was concentrated in the same sectors as previous quarters—automotives, energy, and basic materials, metals, and minerals.

The **automotive** sector topped this quarter with a total of $7.09 billion (34% of Q3 value), moving up from third place compared to last quarter, with BYD, Minth Group, and Volvo leading the way. BYD announced a $1 billion production plant in Turkey, along with several smaller projects, including a $34 million electric bus manufacturing plant in Azerbaijan and new showrooms in Zambia and Rwanda. Meanwhile, auto part supplier Minth Group received approval for its $943 million plant in Indija, Serbia, and announced the expansion of its $57 million factory in Aguascalientes, Mexico. Volvo also chose Mexico for its truck factory, with a $700 million planned investment in Nuevo León.

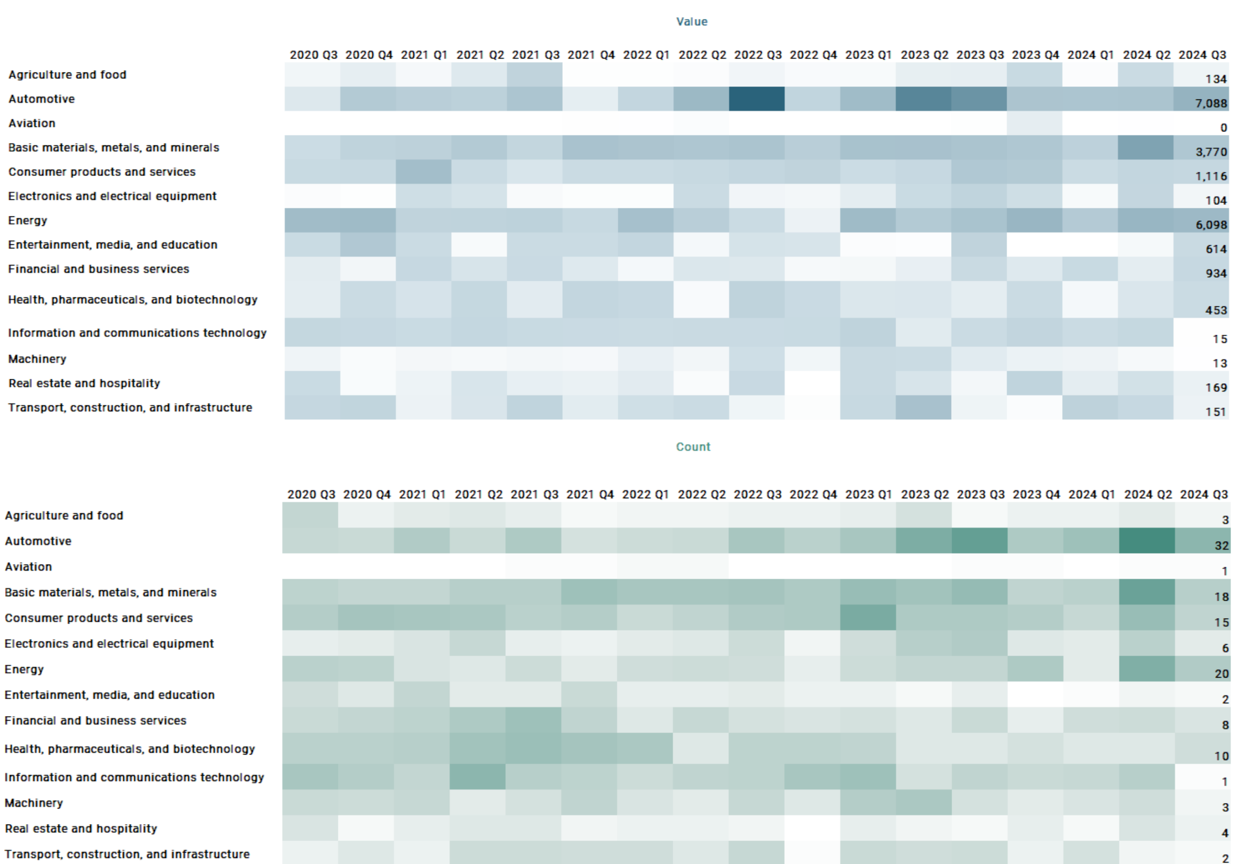
Investment in the **energy sector** remained strong at $5.56 billion, representing 30% of the total Q3 value. Major transactions include a $3 billion oil refinery built by Sumec Corp Ltd. in Liberia, which accounts for the bulk of the total value at 54%, Envision Group's commitment to a $1 billion green hydrogen electrolyzer plant in Spain, and JinkoSolar's joint venture with RELC and VI in Saudi Arabia to build a $1 billion solar cell and module manufacturing plant.

The **basic materials, metals, and minerals** sector accounted for $3.77 billion in investments (18% of the total Q3 value), dropping from first place in the last quarter. Following big multi-billion dollar transactions in Kazakhstan last quarter, the transactions announced this quarter were smaller. Sinomach announced a $1 billion iron ore-to-steel project planned in Kogi, Nigeria, and Panhua Group announced a $1 billion steel manufacturing plant in Sarangani, Philippines.

FIGURE 2

Newly announced major Chinese FDI transactions by sector

Quarterly value in USD million (top) and count (bottom) of FDI transactions



Source: Rhodium Group China Cross-Border Monitor

Investment by geography

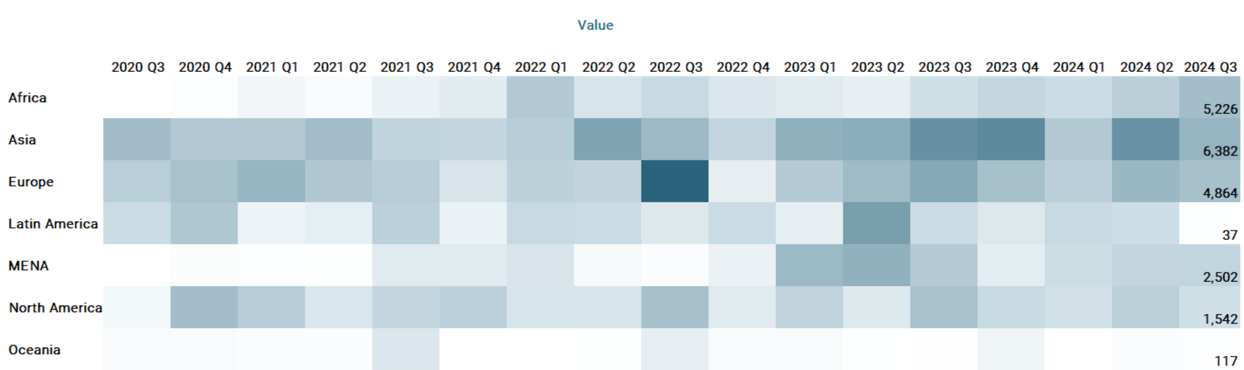
As in previous quarters, Asia and Europe remain the top recipients of Chinese outbound investment. Announced investment in Africa shot up this quarter but how much of that translates into completed FDI remains to be seen.

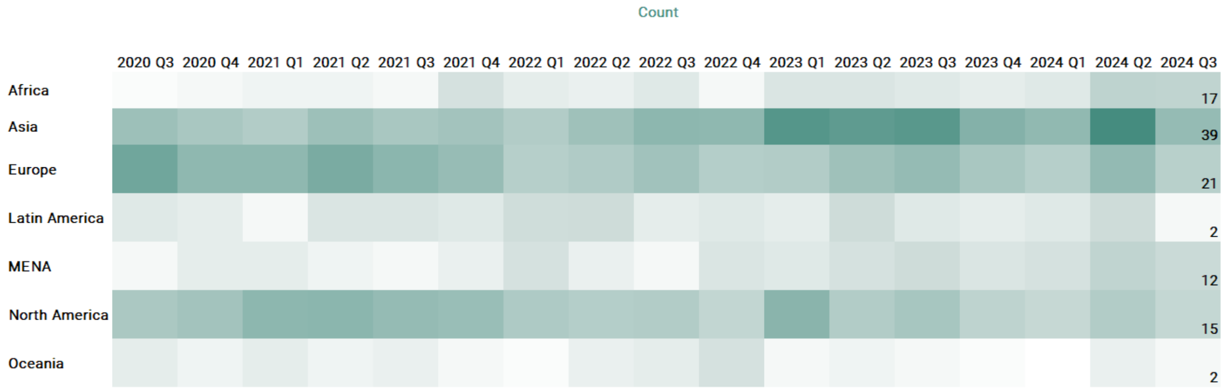
With $6.38 billion, **Asia** remained the top destination for Chinese outbound investment. Southeast Asia has attracted more than 61% of China's investment value in Asia since 2023. The Philippines recorded the highest value transaction, with a new steel plant for $1 billion by Panhua, its second in the country. Chinese private equity firm Hillhouse has reached a $600 million agreement to acquire Dulwich College International network in Asia.

Europe remains a top destination for Chinese investment, with $4.86 billion recorded in Q3 2024. Most of this investment was in the automotive supply chain, totaling $2.34 billion (48%). However, the top transaction in Europe was in the renewable energy sector, with Envision's $1 billion hydrogen electrolyzer plant in Spain—the largest manufacturing plant announced in Europe outside the automotive industry. Additionally, after year-long negotiations, Global New Material International Holdings has signed an agreement with Merck to acquire its Surface Solutions pigments business unit for $720 million.

Africa saw a flurry of investment announcements this quarter, with $5.23 billion in new commitments. This marks the region's highest quarterly value since Q4 2007. Many announcements were made during the Forum on China-Africa Cooperation (FOCAC), which is held every three years. However, a significant share of total investment stems from MOUs with state-owned enterprises—such as a $3 billion oil refinery built by Sumec Corp Ltd. Liberia or Beijing Sinomach Amorphous Technology Co., Ltd.'s $1 billion iron ore-to-steel project in Nigeria. It remains to be seen whether these plans are executed as FDI or construction contracts financed by Chinese government loans—or whether they happen at all after the political fanfare dies down.

FIGURE 3
Newly announced major Chinese FDI transactions by geography
Quarterly value in USD million (top) and count (bottom) of FDI transactions





Source: Rhodium Group China Cross-Border Monitor

Notable transactions

In Q3, we identified seven major investments by Chinese companies in **countries of concern**. These include solar manufacturing plants in Saudi Arabia and chemical projects in Pakistan. China Metallurgical Group Corporation has also initiated road construction to advance the Mes Aynak copper mine project in Afghanistan—one of the world's largest copper mines that has been delayed for 16 years.

In **critical infrastructure**, Jinzhao has committed $405 million to the construction of the New Port Terminal of San Juan de Marcona, securing a 30-year concession to operate the port. Additionally, PetroChina has obtained exploration, development, and production rights for new oil field blocks in Suriname.

Investment in **critical technologies** was limited this quarter, with just two significant acquisitions in the semiconductor sector. Halo Microelectronics acquired a 30.9% stake in South Korean chip designer Zinitix for $15 million. Meanwhile, two Chinese investors—Victory Giant Technology and Pole Star Limited—unveiled plans to acquire APCB Electronics, a Thailand-based asset owned by Taiwanese printed circuit boards manufacturer APCB, in a transaction valued at $39 million. Chinese satellite operator Geespace, backed by Zhejiang Geely Holding Group, revealed plans to establish an R&D center in Malaysia, focused on developing direct-to-device (D2D) satellite solutions.

Investments in the **critical minerals** industry remained concentrated on greenfield projects. A Chinese consortium reached a $310 million agreement to establish a processing plant for the Sandawana lithium project in Zimbabwe. Hainan Mining announced that it plans to build a lithium salt plant in Saudi Arabia. Amid the few acquisitions recorded this quarter, two stand out: the acquisition of the Ngualla rare earth mining project in Tanzania by Shenghe Resources Holding for $64 million and Yankuang Energy Group's acquisition of potash mines in Canada and Spain for $376 million.

Momentum continues to be strong for manufacturing investments driven by **nearshoring and tariff-jumping** considerations. In Mexico, five new automotive plants have been announced, including Geely-owned Volvo's new $700 million heavy-duty truck plant in Mexico. We also recorded seven investments in Vietnam and two in Morocco, spanning manufacturing facilities in the automotive and consumer goods industries.

Spotlight: China's resurgent outbound investment in the semiconductor industry

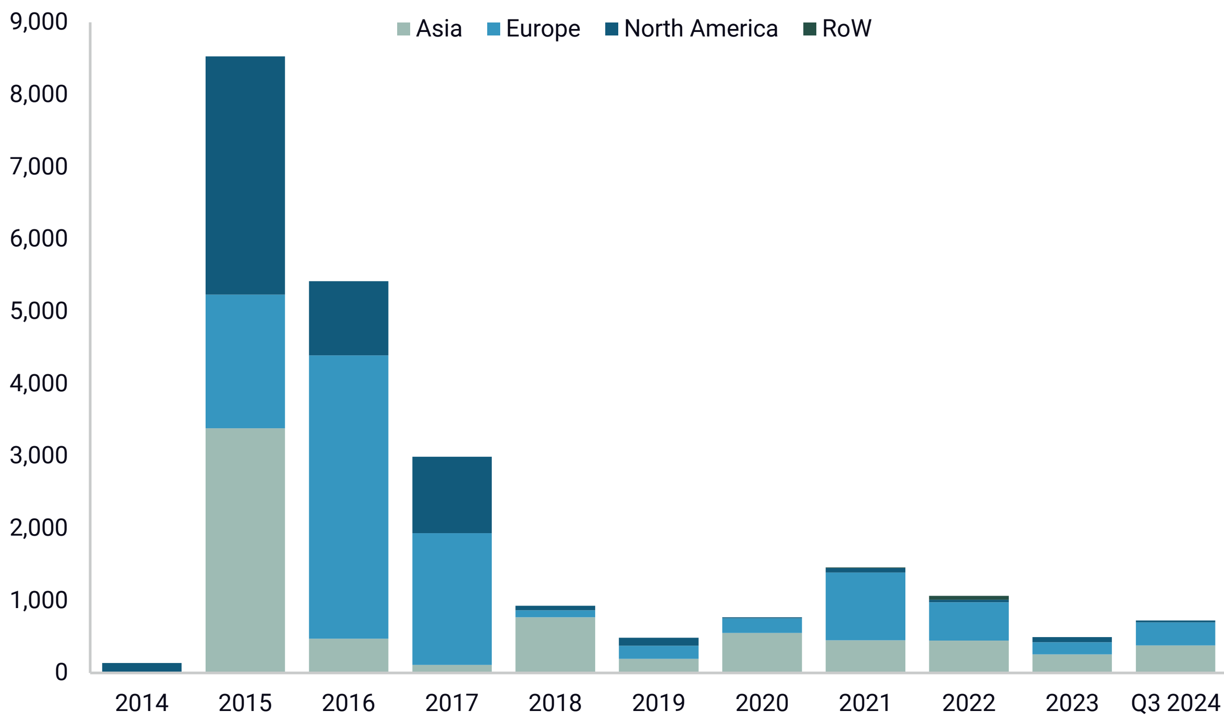
A decade ago, ample capital and Beijing's policy guidance to acquire overseas technology triggered explosive growth in China's outbound semiconductor investment. Chinese firms approached almost every major global semiconductor firm for potential takeovers and launched tens of billions worth of acquisitions in 2015 and 2016. Many of these transactions were withdrawn or formally blocked by regulators, but Chinese firms managed to complete $17 billion worth of acquisitions between 2015 and 2018, including prominent chipmakers in Europe and North America such as Nexperia (Netherlands, $2.7 billion), Lixens (France, $2.6 billion), and Omnivision (US, $1.9 billion).

Since 2017, new Chinese outbound investment in the semiconductor industry has dropped off significantly as chips have come into the spotlight of US-China technology competition. Overseas regulators have increased their scrutiny of Chinese high-tech takeovers and Beijing decided to direct its efforts toward nurturing domestic capacity and reducing reliance on overseas suppliers. However, overseas investment bottomed out in 2019, and we are witnessing a small resurgence of global investment by Chinese semiconductor firms driven by smaller M&A transactions and organic greenfield FDI in Asia and Europe (Figure 4).

FIGURE 4

Value of announced major Chinese FDI transactions in semiconductors by region

USD million



Source: Rhodium Group China Cross-Border Monitor

Acquisitions have grown again since 2019, with Chinese firms mostly focused on smaller transactions in Western Europe, Israel, and developed Asia. However, these transactions now face intense political scrutiny and often get blocked by regulators (Table 1). Transactions that receive approval target smaller and less strategic companies, for example JECT's acquisition of a test facility in Singapore in 2021 or Focuslight's acquisition of MicroTech's micro-optics business and OSRAM's optical component assets in Switzerland in 2024.

TABLE 1
Attempted Chinese semiconductor M&A in Europe after 2020, selected examples

Year	Investor	Target	Economy	Status
2022	SiLight Semiconductor Limited	HiLight Research limited	United Kingdom	Blocked
2022	Nexperia	Newport Wafer Fab	United Kingdom	Forced divestment
2022	SAI Microelectonics	Elmos	Germany	Blocked
2022	Super Organe	Pulsic Limited	United Kingdom	Blocked
2021	Shenzhen Investment holding	LPE	Italy	Blocked
2023	Shanghai Sierchi Entreprise	Flusso	United Kingdom	Passed after review
2023	Nexperia	Nowi Energy BV	Netherlands	Passed after review

Source: Rhodium Group China Cross-Border Monitor

Organic expansion through greenfield FDI has been the main driver of the resurgence in Chinese global semiconductor investment. New greenfield FDI has tripled from an average of $225 million per year in the period of 2017-2020 to $700 million annually since 2021, with a focus on Northern Europe and Southeast Asia (Figure 5).

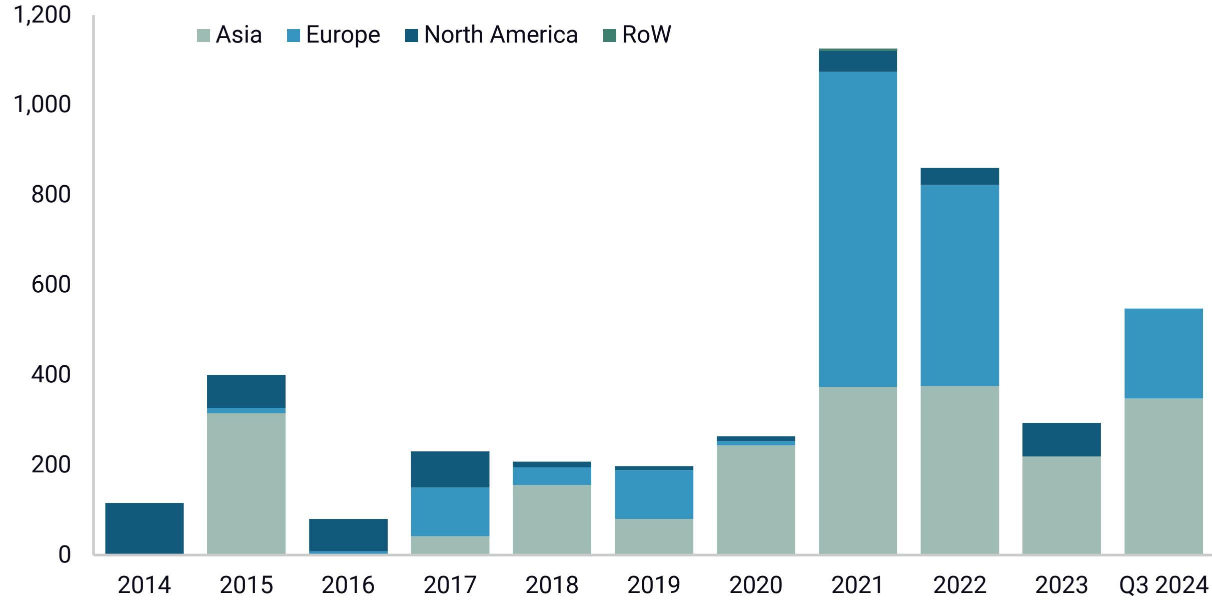
In Europe, greenfield FDI has been driven by the continued expansion of local entities acquired between 2016 and 2019. After acquiring Finnish silicon wafer manufacturer Okmetic in 2016, the National Silicon Industry Group expanded the company's manufacturing capabilities between 2019 and 2021. In 2022, it announced the construction of a new $422 million wafer plant in the country, marking the first semiconductor facility built by a Chinese company in Europe. Similarly, Nexperia, acquired by Wingtech in 2018, announced several expansions totaling $900 million starting in 2021 for its manufacturing sites in Hamburg, Germany, and Manchester, UK.

In Asia, investment is driven by China+1 diversification. To reduce exposure to China and ensure continued access to key foreign customers, Chinese companies are expanding capacity in Southeast and East Asia. Outsourced semiconductor assembly and test (OSAT) and integrated device manufacturing (IDM) companies such as TongFu Microelectronics, JCET, and Yangzhou Yangjie Electronics are leading investors. Malaysia stands out as a top destination, attracting 65% of the total investment in the region. The country has become a hub for a broad range of global semiconductor firms, including American and European multinationals like Micron, Intel, and Infineon. Chinese suppliers are following these customers.

FIGURE 5

Value of announced major Chinese FDI greenfield transactions in semiconductors

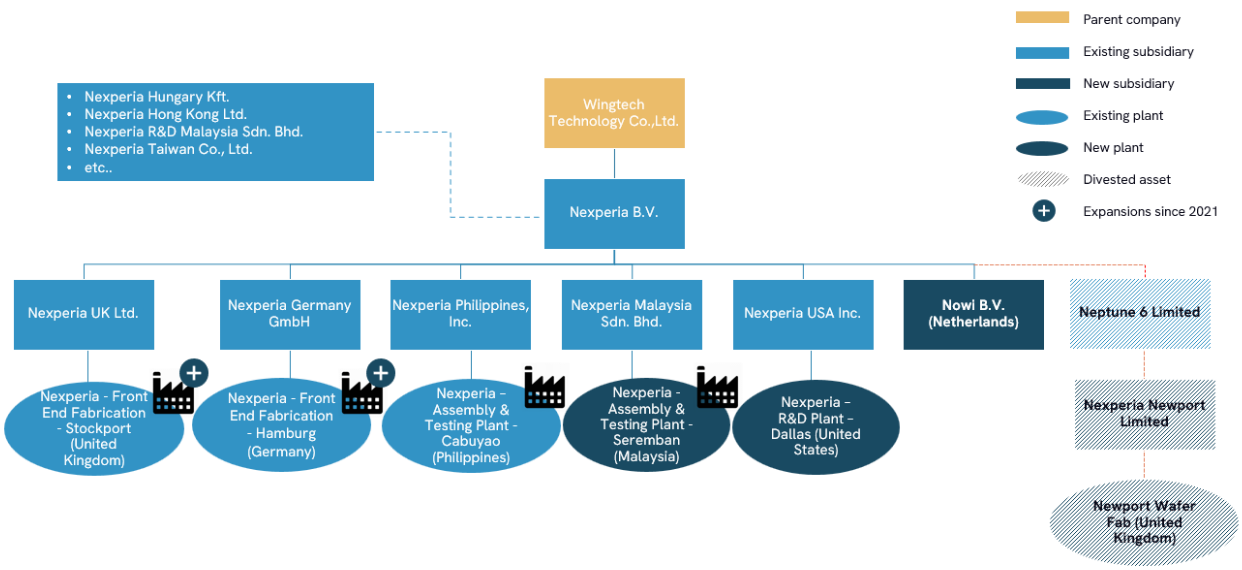
USD million



Source: Rhodium Group China Cross-Border Monitor

A deeper dive into Nexperia illustrates the importance of acquired entities for global expansion. Nexperia was acquired by Wingtech in 2018. Three years later, Nexperia acquired Newport Waver Fab in Wales through a holding company (and was later required to divest again by the UK government). In the same year (2021), it announced expansions for its manufacturing sites in Hamburg, Germany, and Manchester, UK, with a total investment of $700 million. In 2024, Nexperia announced a further $200 million expansion of its Hamburg production facility. It also set up a new R&D plant in Dallas, Texas in 2023 (Figure 6).

FIGURE 6
Wingtech Technology's global footprint



Source: Rhodium Group China Cross-Border Monitor

Our data confirms that overhauls of investment screening regimes across the OECD have been successful in curbing unwanted Chinese acquisitions of advanced companies in the semiconductor industry. M&A activity has slowed significantly and is heavily scrutinized by regulators. In the US, the combination of investment screening, export controls, and supply chain security policies was effective in deterring new Chinese investment in the semiconductor industry. However, Chinese companies are growing again in Northern Europe and Asia through greenfield FDI, which may complicate US efforts to get Chinese entities out of supply chains and curb their access to advanced technologies.

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ABOUT THE CHINA CROSS-BORDER MONITOR

The China Cross-Border Monitor is a data portal from Rhodium Group's China practice on China's overseas investments. Traditional methods of tracking overseas investment by Chinese companies are skewed by tax havens and reinvested earnings, creating a warped picture of China's overseas investments. Our transaction-based methodology tracks half a million individual investments worldwide, helping create a more transparent view of China's global economic footprint.

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