China M&A 2026
Mid-Year Review and Outlook

August 2026

Contents

Foreword

Explanation of data shown in this presentation (1)

- The data presented is based on information from LSEG, CV Source, AVCJ, public news and PwC analysis unless stated otherwise.
- LSEG and CV Source only record publicly announced deals. Some of those announced deals may ultimately fail to close.
- The deal volume figures presented in this report refer to the number of deals announced, whether or not a value is disclosed for the deal.
- The deal value figures presented in this report refer only to deals where a value has been disclosed (referred to in this presentation as “disclosed value”).
- “Domestic” means China including Hong Kong, Macau and Taiwan.
- “Outbound” relates to Chinese companies’ acquisitions abroad.
- “Inbound” relates to overseas companies’ acquisitions of domestic companies.
- “Private Equity deals” or “PE deals” refer to financial buyer deals with deal value over US$10mn and invested mainly by private equity GPs but also including direct investments by financial institutions and conglomerates which are of the nature of private equity type investment.

- “VC deals” refer to financial buyer deals with deal value of less than US$10mn and/or with undisclosed deal value, but invested by financial buyers.
- “Strategic buyer” refers to corporate buyers (as opposed to financial buyers) that acquire companies with the objective of integrating the acquisition into their existing business.
- “Financial buyer” refers to investors that acquire companies with the objective of realising a return on their investment by selling the business at a profit at a future date. These mainly, but not entirely, comprises PE and VC funds.

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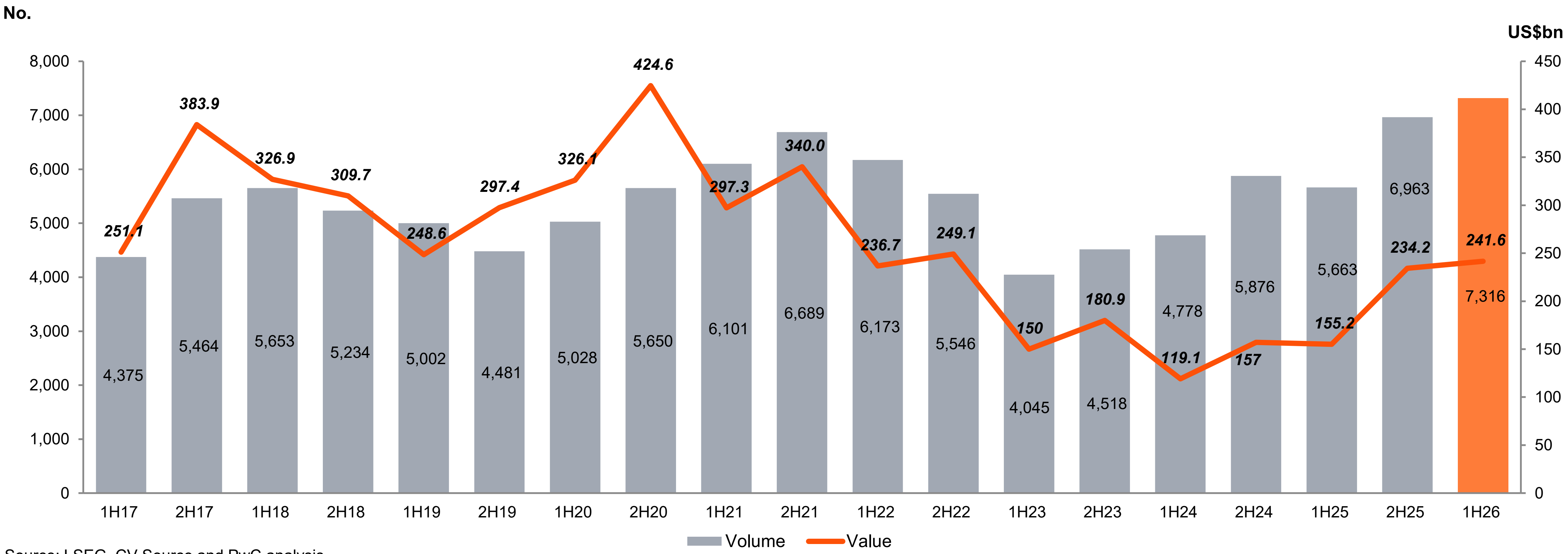
China M&A Overview

China M&A Overview

China's M&A market staged a robust recovery in the first half of 2026, driven by the combined tailwinds of capital market momentum and supportive policies. Deal volume and value both surged to three-year highs. Total **deal volume** was up nearly 30% year-on-year, setting a new all-time record. Meanwhile, aggregate deal value soared 56% year-on-year – the strongest half-year performance since 2023.

China M&A overview by half years, from 2017 to 1H26



Source: LSEG, CV Source and PwC analysis

China M&A Trends

The number and aggregate value of deals led by financial investors surged by nearly 50% and 85% year-on-year respectively. While deal volume for strategic investors dipped slightly (-7%), total deal value rose by almost 40%. Chinese outbound M&A also saw lower deal activity. However, deal value soared by 56% year-on-year, underscoring a growing trend toward larger-scale acquisitions.

M&A volume and value, from 2023 to 1H26

	2023		2024		2025		1H25		1H26		% Diff vol. 1H26 vs. 1H25	% Diff val. 1H26 vs. 1H25
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value		
***Financial buyers**		US$bn		US$bn		US$bn		US$bn		US$bn		
PE deals	1,168	146.8	1,041	120.6	1,189	139.4	448	50.9	1,209	94.8	170%	86%
VC deals	3,766	3.0	6,125	2.3	7,382	2.7	3,354	1.3	4,466	1.8	33%	37%
Total financial buyers	**4,934**	**149.8**	**7,166**	**122.9**	**8,571**	**142.1**	**3,802**	**52.2**	**5,675**	**96.6**	**49%**	**85%**
Strategic buyers												
Domestic	3,240	145.6	3,116	130.5	3,638	222.7	1,659	91.2	1,546	113.0	-7%	24%
Foreign	80	14.4	82	5.6	93	4.0	28	1.7	29	14.8	4%	771%
Total strategic buyers	**3,320**	**160.0**	**3,198**	**136.1**	**3,731**	**226.7**	**1,687**	**92.9**	**1,575**	**127.8**	**-7%**	**38%**
***Chinese outbound**	**445**	**23.3**	**390**	**20.4**	**394**	**26.8**	**202**	**12.5**	**92**	**20.2**	**-54%**	**62%**
Total	**8,563**	**329.7**	**10,654**	**276.1**	**12,626**	**389.4**	**5,663**	**155.2**	**7,316**	**241.6**	**29%**	**56%**

*Financial buyer-backed Chinese outbound deals are also included in financial buyer deals, but they are not double counted in the total deal volume and deal value in the table above.
Source: LSEG, CV Source and PwC analysis

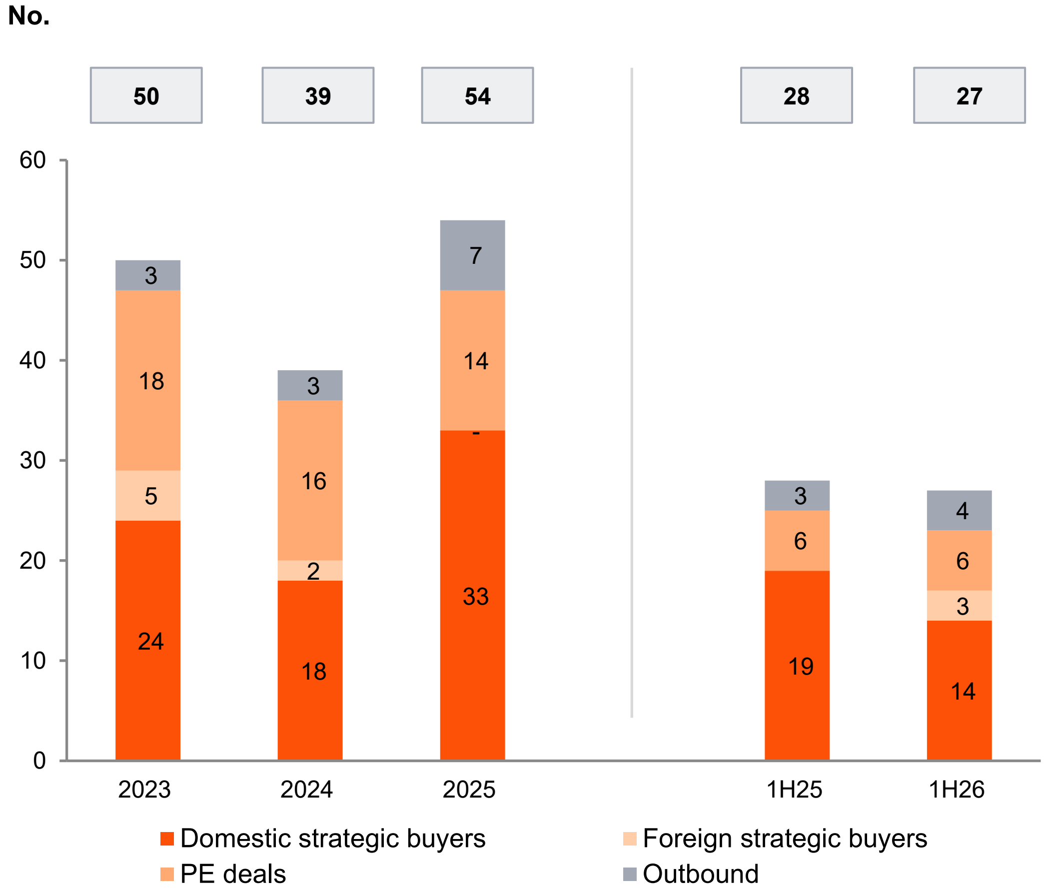
Mega-deals

There were 27 domestic mega-deals (>US$1bn) in 1H26 – level with the same period last year. Of these, 14 were strategic deals, eight of which were driven by SOEs.

There were ten mega-deals in the high-tech sector, concentrated in hard technology segments such as AI, data storage and semiconductors.

The trend for mega-deals is expected to continue through 2026, driven primarily by strategic consolidation in the energy and high-tech sectors. AI is the main catalyst for this, as deals are no longer limited to semiconductors but have expanded into AI enablement. This ‘AI-plus’ effect is creating a sustained pipeline of mega-deals as companies race to secure energy, infrastructure, and proprietary technology.

Volume of mega-deals (value >US$1bn)



Source: LSEG, CV Source and PwC analysis

PE/VC and Financial Buyers

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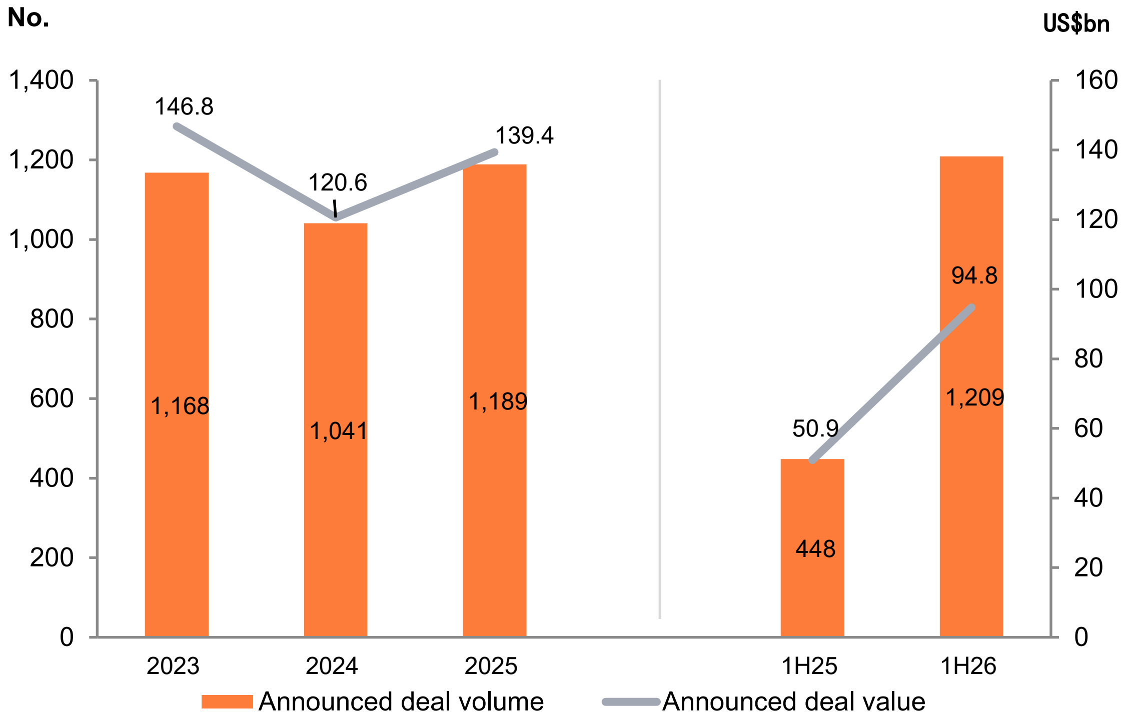
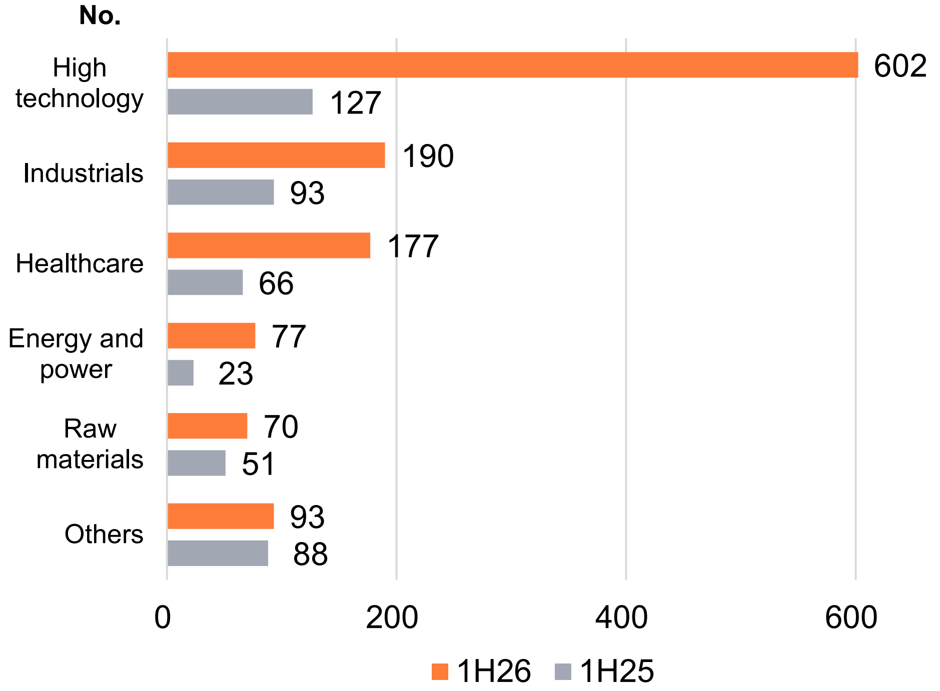
PE investment – by sector

In 1H26, financial buyers made a strong comeback: deal volume almost tripled and deal value surged 86% year-on-year. This included six mega-deals, with the AI and semiconductor sectors dominating. High technology, industrials and healthcare were the top three sectors favoured by financial buyers, reflecting a close alignment with national policy priorities. Over 600 technology companies received financing support from financial buyers in 1H26.

PE deals overview - value and volume



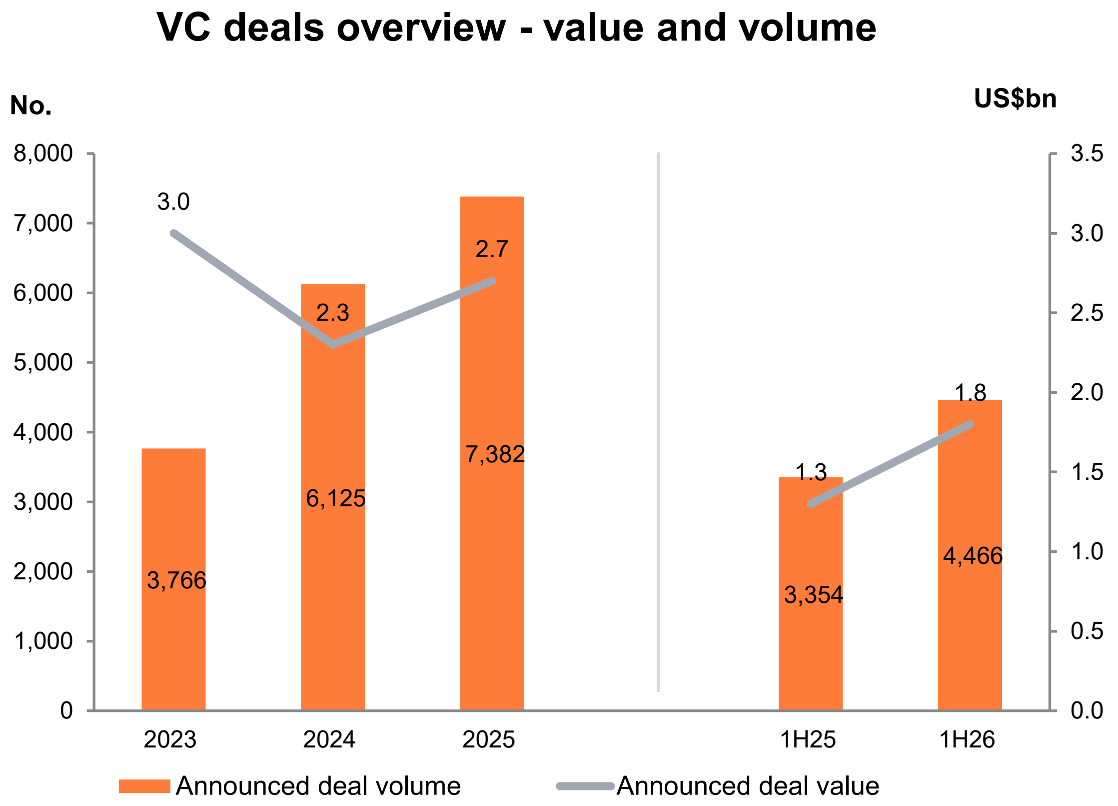
PE deal volume by industry (top 5)

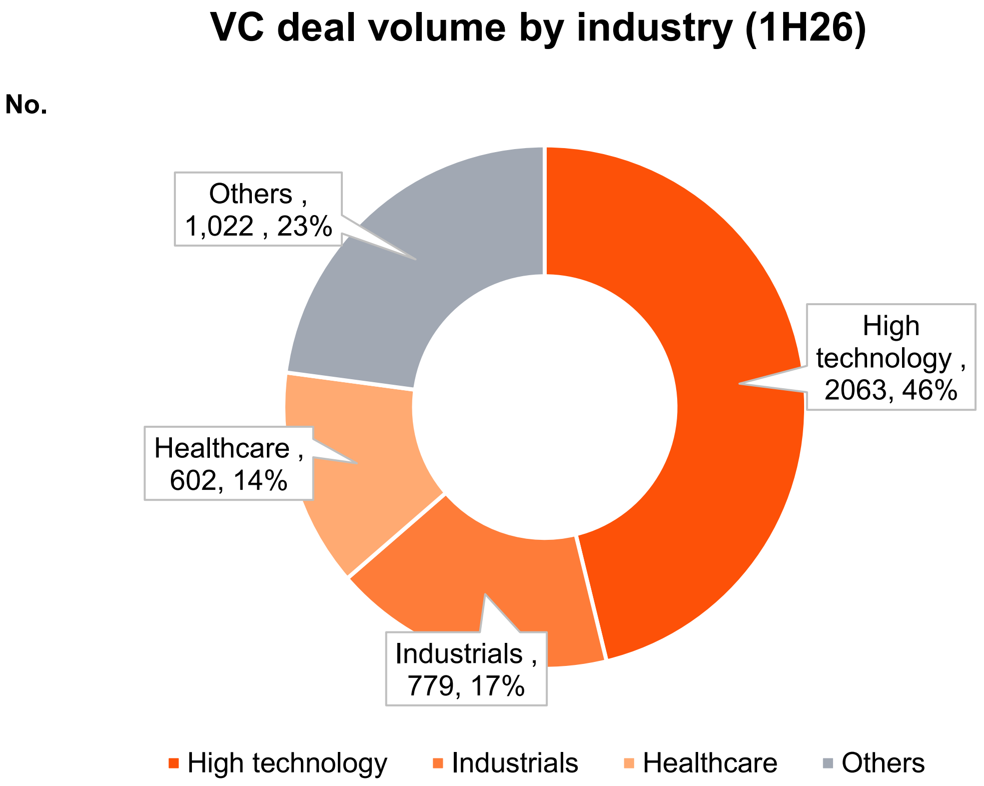


Source: LSEG, CV Source and PwC analysis

VC investment – by sector

In 1H26, cutting-edge sectors such as AI and robotics sparked intense interest, driving the VC market to an all-time high of 4,466 deals. The high-tech sector alone accounted for 46% of total deal volume. The top three sectors collectively made up 77%, highlighting the growing concentration of VC financing in favoured sectors.





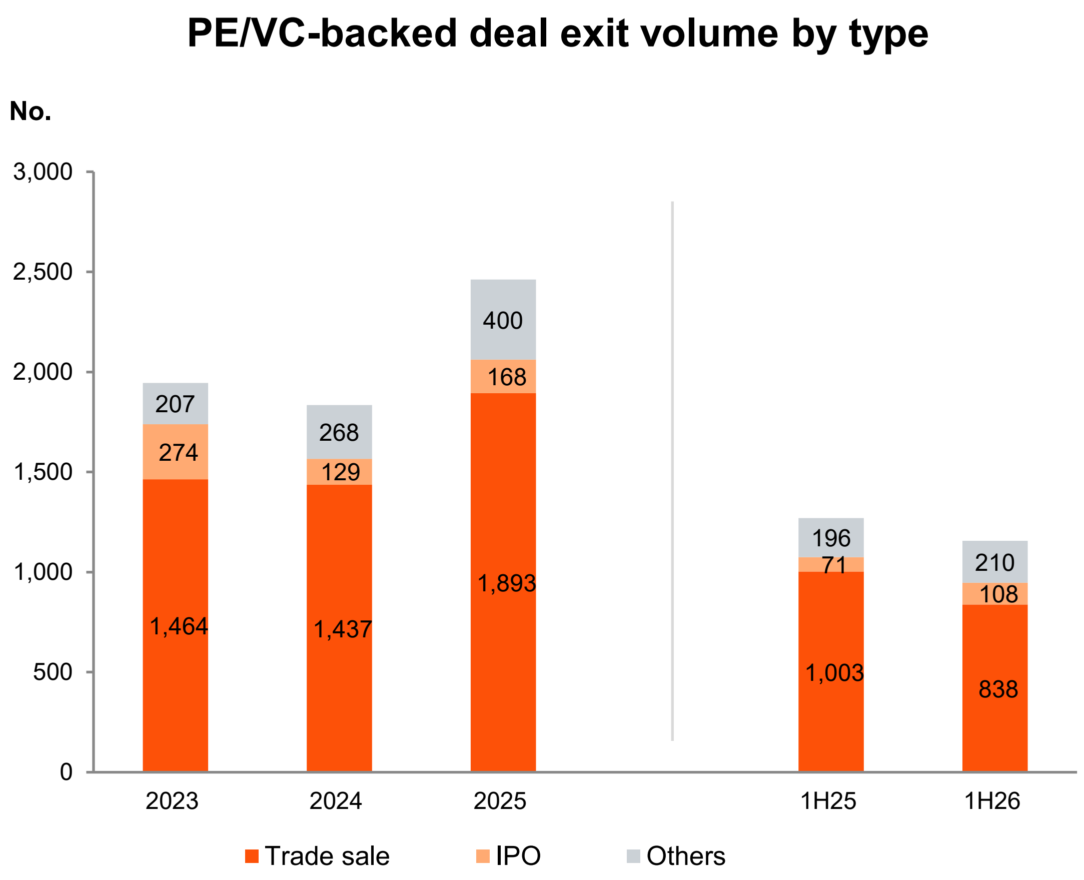
Source: LSEG, CV Source and PwC analysis

Exits

In 1H26, PE exit activity decreased by 9% year-on-year. Trade sales fell 16% year-on-year, though they still accounted for 70% of total exits. Meanwhile, IPO exits rebounded sharply – up 50% year-on-year – with half of the listings completed on the Hong Kong Stock Exchange (HKEX).

The 'Others' category primarily comprises PE-to-PE secondary transactions, reflecting increased demand for liquidity amid monetisation pressures and limited trade buyer activity.

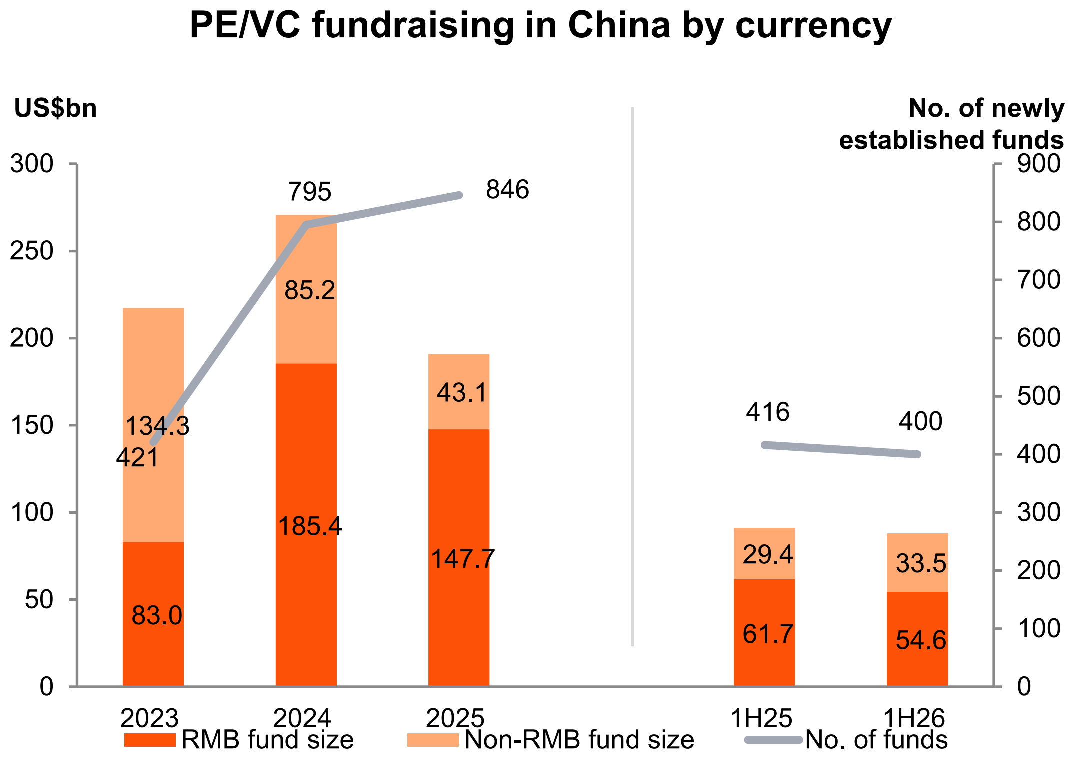
It is worth noting that these announced deal figures do not yet reflect a large number of additional sale processes which are currently in preparation.

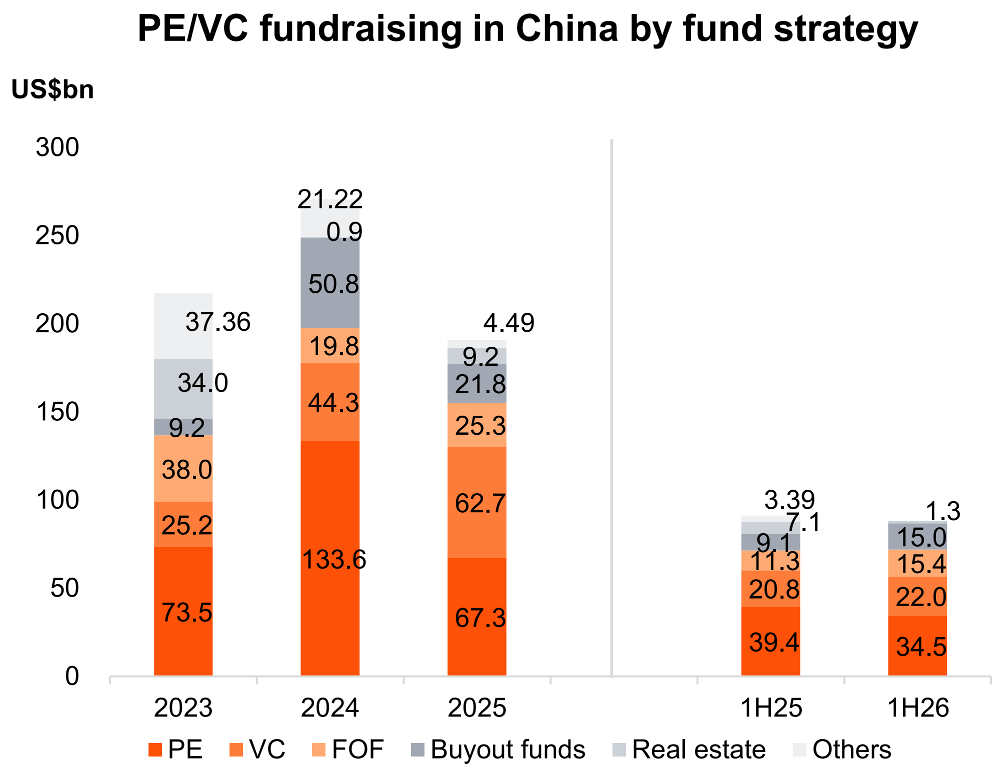


Source: LSEG, CV Source and PwC analysis

Fundraising

In 1H26, fundraising totals and the number of newly established funds both decreased slightly year-on-year. In terms of currency structure, RMB funds continued to dominate domestic fundraising. However, non-RMB fundraising increased in 1H26 compared to a year earlier, even as the number of new funds declined. PE, VC and FOF remained the top three fundraising strategies, in line with the same period last year.



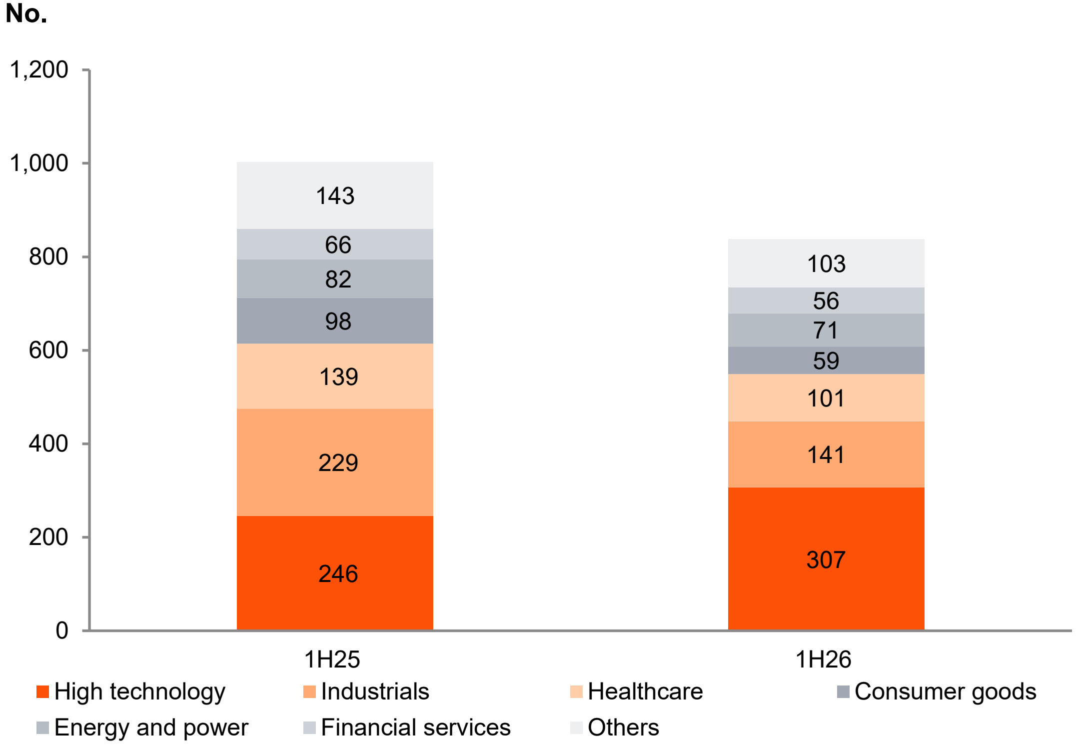


Note: Data presented do not take into account the large amount of available capital from alternative financial buyers, such as corporate and state-owned asset investment companies, financial institutions, high-net-worth individual investment platforms, government-supported funds and sovereign wealth fund investors.
Source: AVCJ (data: 8 July 2026) and PwC analysis

Exits – trade sales by sector and IPOs by bourse

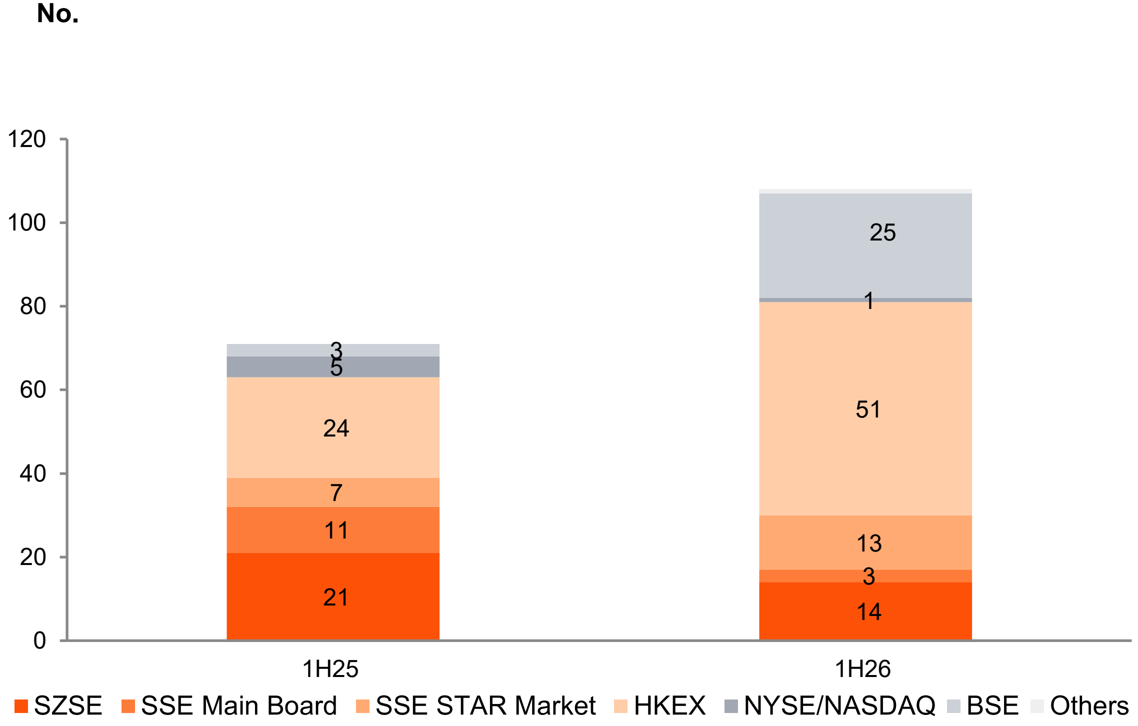
In 1H26, PE-backed high-tech companies took the top spot, with over 300 exits via trade sales. Industrials and healthcare followed behind. There were 51 PE-backed IPO exits via listings on HKEX in the first half – putting it on track for its best performance. Over half of these were high-tech companies.

PE/VC-backed M&A/trade sale exits by target company industry



Source: LSEG, CV Source and PwC analysis

PE/VC-backed IPO exit volume by bourse



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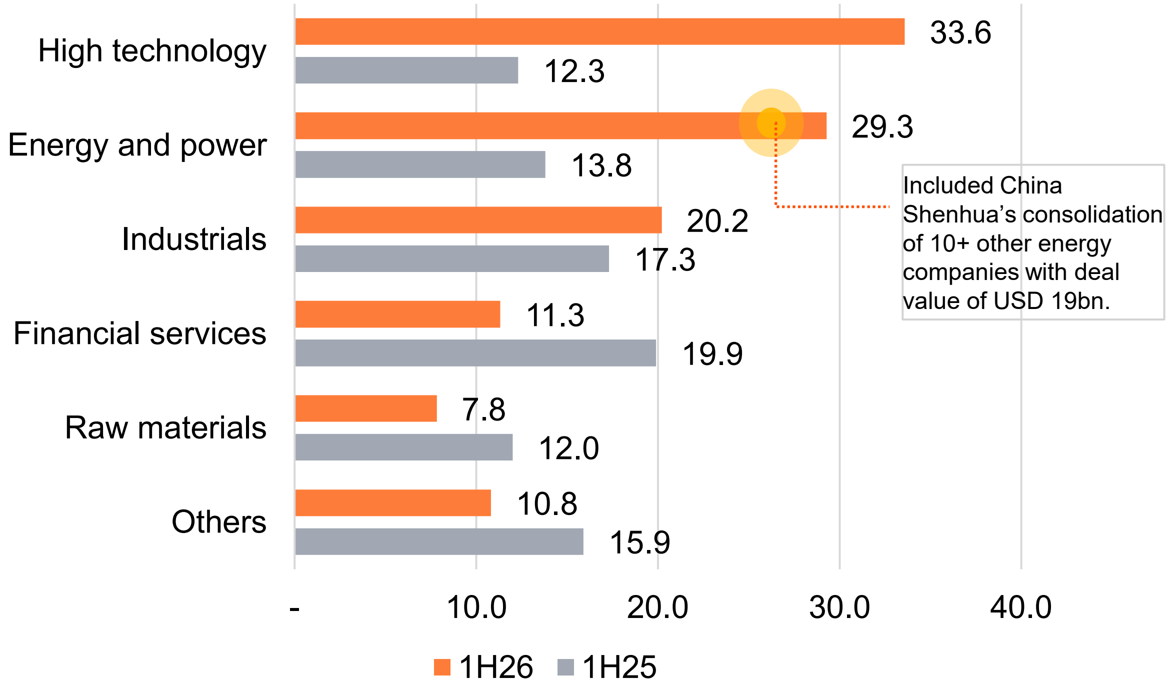
Domestic Strategic Buyers

Domestic Strategic M&A – by sector

Horizontal integration and industrial chain synergies accelerated on the back of supportive policies. Deal value nearly tripled y-o-y in the high-tech sector, driven by mega-deals. Due to restructuring of state-owned assets, the energy sector also saw a doubling in deal value. High technology, industrials and financial services were the top three sectors in terms of deal volume.

Domestic strategic buyer deal value by industry (top 5)
US$bn



Domestic strategic buyer deal volume by industry (top 5)
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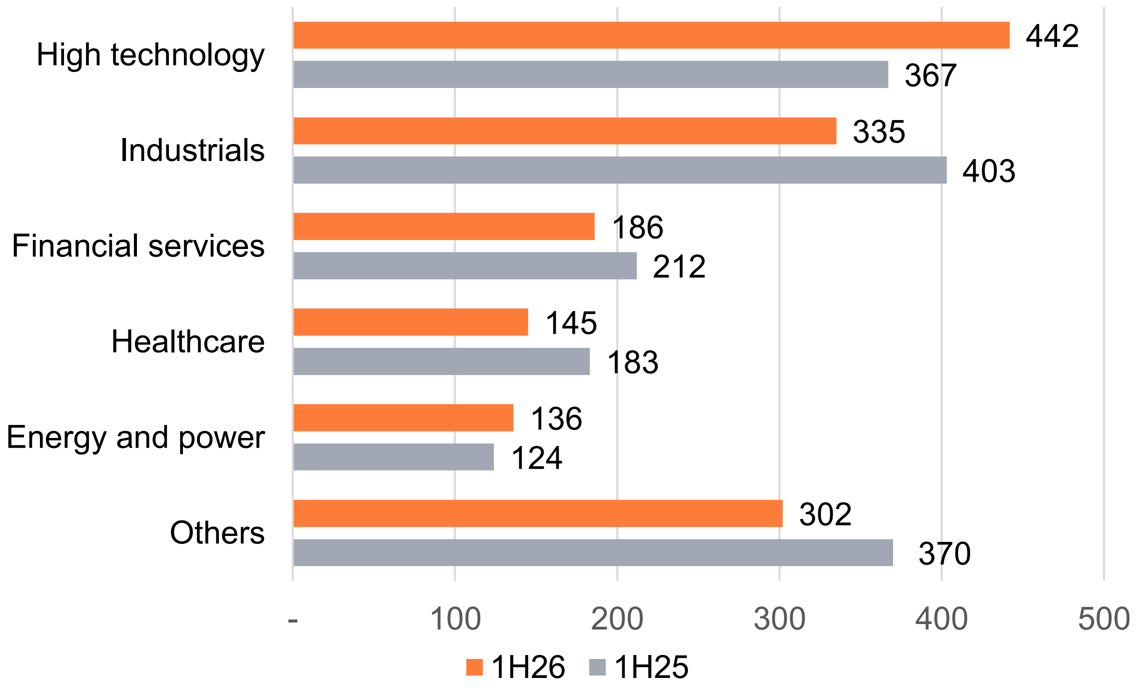

Source: LSEG, CV Source and PwC analysis

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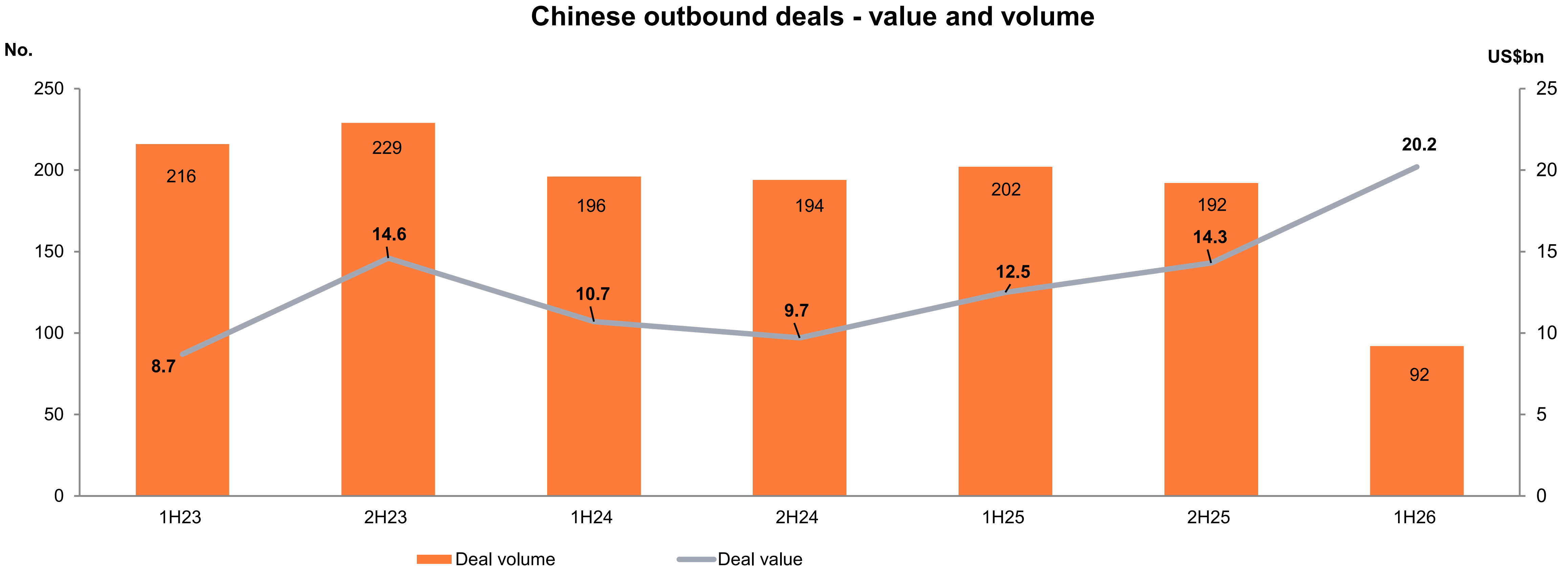
Chinese Outbound M&A

Long-term trends in outbound M&A

In 1H26, Chinese outbound M&A was characterised by lower deal volume but higher average value. The number of deals hit a six-month low, while the average deal value increased significantly. During the period, the total value of outbound M&A reached US$20.2bn, with 92 deals announced. This included four mega-deals, up from three in the same period last year.

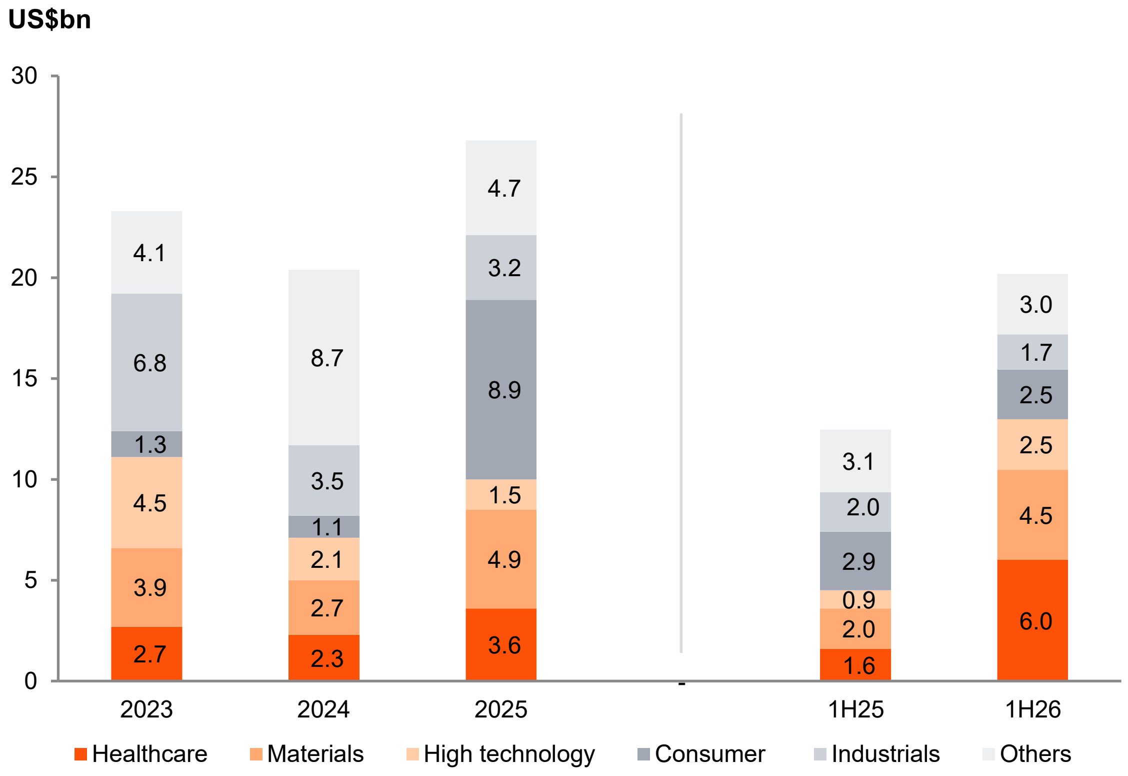


Source: LSEG, CV Source and PwC analysis

Outbound M&A - by sector

Healthcare, materials and high technology ranked as the top three sectors by deal value. The industrials sector recorded the most deal activity, followed closely by high technology and healthcare.

China outbound deals by industry - value



Mega outbound deals in 1H26 (>US$1bn)

	Investor	Target company	Target country	Industry	Value (US$mn)
1	Jardine Matheson	I-MED Radiology	Australia	Healthcare	2,422
2	Yancoal	Kestrel Coal Mine	Australia	Raw materials	2,400
3	ANTA Sports	Puma	Germany	Consumer goods	1,780
4	Phoenix Asia Holdings	ACEA Pharma Inc.	USA	Healthcare	1,638

Source: LSEG, CV Source and PwC analysis

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Key Messages

Key Messages

China M&A in 1H26 (1)

Overview

56%

year-on-year increase in aggregate deal value.

- China M&A rebounded strongly in 1H26, though the recovery was concentrated in financial-buyer activity, policy-supported technology sectors, SOE restructuring and a limited number of large transactions.
- Exit conditions and conventional fundraising remained more challenging than headline investment activity suggests.

- The number and aggregate value of deals led by financial investors surged by nearly 50% and 85% year-on-year respectively. While deal volume for strategic investors dipped slightly (-7%), total deal value rose by almost 40%.
- Chinese outbound M&A also saw lower deal activity. However, deal value soared by 56% year-on-year, underscoring a growing trend toward larger-scale acquisitions.
- There were 27 domestic mega-deals (>US$1bn) in 1H26 – level with the same period last year. Of these, 14 were strategic deals, eight of which were driven by SOEs.
- There were ten mega-deals in the high-tech sector, concentrated in hard technology segments such as AI, data storage and semiconductors.
- The trend for mega-deals is expected to continue through 2026, driven primarily by strategic consolidation in the energy and high-tech sectors. AI is the main catalyst for this, as deals are no longer limited to semiconductors but have expanded into AI enablement. This ‘AI-plus’ effect is creating a sustained pipeline of mega-deals as companies race to secure energy, infrastructure, and proprietary technology.

Key Messages

China M&A in 1H26 (2)

PE/VC and financial buyer deals

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Key Messages

China M&A in 1H26 (3)

Fundraising

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Exits – trade sales by sector and IPOs by bourse

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Key Messages

China M&A in 1H26 (4)

Strategic buyers

- Horizontal integration and industrial chain synergies accelerated on the back of supportive policies. Deal value nearly tripled y-o-y in the high-tech sector, driven by mega-deals. Due to restructuring of state-owned assets, the energy sector also saw a doubling in deal value. High technology, industrials and financial services were the top three sectors in terms of deal volume.

Key Messages

China M&A in 1H26 (5)

Chinese outbound M&A

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Outlook

China M&A outlook for the 2nd half of 2026

Challenges

- Exit remains difficult for PEs, with increasing pressure to generate cash distributions.
- Premium valuations for high-quality strategic assets may delay transactions or encourage minority investments.
- Headline market value may remain dependent on a relatively small number of mega-deals.
- Outbound activity remains vulnerable to investment screening, export controls, tariffs and broader geopolitical developments.

Positive factors

- Policy support and government-backed capital will continue to stimulate consolidation in strategically important sectors.
- Stronger listed-company valuations should support share-funded acquisitions, asset injections and industrial-chain integration.
- SOE reform, corporate portfolio reviews and MNC carve-outs should increase the supply of actionable transactions.
- The Hong Kong IPO pipeline provides a more credible exit route, particularly for technology and healthcare assets.
- Hong Kong's 2026 tax amendment broadens carried interest concessions to a wider spectrum of alternative asset managers, will boost HK's PE resourcing and deepen deal origination and execution capacity.

Expected growth areas

- Technology, AI and AI enablers: Semiconductors, AI infra, data storage, robotics, power, grid, cooling infrastructure
- SOE restructuring, listed-company M&A
- Liquidity-led transactions: sponsor-to-sponsor, GP-led secondaries
- MNC Carve-outs & partnerships: divestitures, domestic strategic alliances
- Selective outbound investment: resources, healthcare, brands, supply-chain localization

We expect China's M&A market to sustain its momentum through the second half of 2026, with both transaction value and volume projected to grow year-on-year.

Data Compilation Methodology and Disclaimer

Statistics contained in this presentation and the press release may vary from those contained in previous press releases.
There are three reasons for this: LSEG and CV Source historical data is constantly updated as deals are confirmed or disclosed; PricewaterhouseCoopers has excluded certain deals which are more in the nature of internal re-organisations than transfers of control; and exchange rate data has been adjusted.

Included deals

- Acquisitions of private/public companies resulting in change of control
- Investments in private/public companies (involving at least 5% ownership)
- Mergers
- Buyouts/buy-ins (LBOs, MBOs, MBIs)
- Privatisations
- Tender offers
- Spinoffs
- Split-off of a wholly-owned subsidiary when 100% sold via IPO
- Divestment of company, division or trading assets resulting in change of control at parent level
- Reverse takeovers
- Re-capitalisation
- Joint venture buyouts
- Joint ventures
- Receivership or bankruptcy sales/auctions
- Tracking stock

Excluded deals

- Property/Real estate for individual properties
- Rumoured transactions
- Options granted to acquire an additional stake when not 100% of the shares have been acquired
- Any purchase of brand rights
- Land acquisitions
- Equity placements in funds
- Stake purchases by mutual funds
- Open market share buyback/retirement of stock unless part of a privatisation
- Balance sheet restructuring or internal restructuring
- Investments in greenfield operations
- Going private transactions (with no new investors)

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