HONG KONG: Mergers and acquisitions across Asia are headed to mark an 8.7 percent rise to $362 billion in volume for the first half of 2008, after accelerating in the second quarter, according to preliminary data from Thomson Reuters.

The increase was led in part by Chinese buyers and financial services takeovers.

The pickup, which is expected to continue, is occurring even as the volume of deals is dropping across the United States and Europe.

Asian private equity activity fell 27.3 percent to $18.8 billion, with buyout shops unable to raise enough money to compete with the region's hungry corporate buyers.

In the second quarter, overall acquisitions in Asia, including deals in Japan, rose 16 percent, according to Thomson Reuters.

"There is a dynamic going on here that isn't going on in the rest of the world," said Steven Wallace, head of mergers and acquisitions for the Asia/ Pacific region at Citigroup. "We are in the only sizable region that is growing year on year. And the big driver is China."

The top five financial advisers in Asia in the first half were UBS, Goldman Sachs, Morgan Stanley, Citigroup and Lehman Brothers, according to Thomson Reuters data.

Loaded with cash from a booming economy, Chinese government officials and corporate chiefs are seeking to expand by scooping up companies both within Asia and elsewhere.

The Asian "M&A market has clearly reached critical mass," said Johan Leven, Goldman Sachs's head of M&A for Asia except Japan. "It's now both deeper and broader, with healthy deal activity across sectors and throughout the region."

Cross-border M&A activity for China has tripled this year to $48.6 billion worth of deals. Inbound transactions this quarter included Banpu, the biggest Thai coal miner, agreeing to spend $420 million to take total control of the Chinese coal miner Asian American Coal.

Also this month, the mobile operator China Unicom agreed to pay $24 billion to take over its fixed-line peer China Netcom amid a government overhaul of the country's telecommunication sector.

Citigroup advised Netcom, JPMorgan Chase, CICC and Lehman Brothers advised Unicom on the deal.

Despite a flurry of natural resources deals in Australia, the top industry target for Asia has been financial companies. China Merchants Bank agreed this month to buy the Hong Kong lender Wing Lung Bank for $4.7 billion, in a deal advised by Credit Suisse and UBS.

"What's driving financial services deals is more market positioning than synergies, with institutions looking at possible entry strategies into markets like Hong Kong," said Robert Rankin, head of investment banking in Asia for UBS. "Opportunities for banks to enter consumer banking in Asia are limited."

And the opportunities are lucrative, too, as the region's economic boom has fueled personal wealth.
Chinese mining and energy giants have received much of the attention as they pursue deals to help
feed the country's appetite for building materials and oil.

And it is not just the giants looking to grow overseas.

The midsize Chinese construction machinery maker Changsha Zoomlion won a joint bid on
Wednesday with Goldman and two other investors to buy Compagnia Italiana Forme Acciaio for 271
million, or $422 million.

India, like China, is expanding its corporate reach abroad and is expected to be a driver of overseas
deals for the rest of the year.

While M&A volume in India fell 34.5 percent to $29.4 billion in the first half, the data do not include
talks in the last few months by two Indian groups, Bharti Airtel and Reliance Communications, to buy
the South African telecommunications company MTN, which is worth around $28.5 billion.

Australian companies have been the most favored M&A target this year with 913 deals worth $70.3
billion, according to Thomson Reuters. That has been driven largely by the country's natural resources
that companies are targeting amid a China-fueled surge in commodity prices.