

The background features a man in a light blue shirt and dark trousers walking on a modern, curved staircase. The scene is overlaid with vibrant, multi-colored abstract lines in shades of green, yellow, and purple, creating a sense of movement and progress. The Deloitte logo is positioned in the top left corner, and the Chinese characters '德勤' are in the top right corner.

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众行致远

德勤

2026 GLOBAL DIVESTITURE SURVEY

# Divesting to Enhance Corporate Value

## Insights and outlook for China

May 2026

# Focusing on core businesses and divesting non-core and inefficient assets to accelerate the development of new quality productive forces — A new era of structural opportunities in China divestitures

The 2026 Two Sessions explicitly established the core directive of "focusing on core businesses and divesting non-core and inefficient assets to accelerate the development of new quality productive forces," highlighting the role of divestitures as a key instrument for serving the national industrial strategy. The reform deployment of state-owned assets at the Two Sessions calls for advancing the "three concentrations" of state-owned capital, requiring that over 88% of the operating revenue of central SOEs be concentrated in 20 key industries in the future. Consequently, divestitures have become an essential pathway for optimizing the layout of the state-owned economy, sharpening focus on core businesses, and implementing top-level industrial planning.

## From passive risk disposal to proactive strategic layout

Guided by the Two Sessions' mandate to deepen core businesses and drive industrial upgrade, domestic organizations have fundamentally reshaped the logic behind divestitures. Rather than aiming mainly at offloading loss-making assets to relieve financial stress, divestitures now serves as a proactive strategic tool. By exiting non-core and low-synergy operations, organizations free up capital and resources to concentrate on national strategic sectors such as high-end manufacturing, semiconductors, and AI. This shift aligns precisely with the Two Sessions' core objectives of cultivating new quality productive forces and transitioning from old growth drivers to new ones.

## The mutual reinforcement between divestitures and industrial upgrading

In the long run, organizations will become leaner and stronger by shedding inefficient non-core assets, allowing them to concentrate resources on fortifying their core businesses. Simultaneously, the state leverages divestitures to guide capital agglomeration in key sectors. This synergy collectively refines the modern industrial system and facilitates the scaled development of new quality productive forces, ultimately accomplishing a structural industrial upgrade—transitioning from a model that is "large and comprehensive" to one that is "specialized and strong."

## Risk prevention and control priorities

Divestitures are fraught with multifaceted complexities, notably the identification of right buyers, intricate tax planning, separation of business structures, and labor compliance. Organizations must integrate a comprehensive compliance framework early in the planning stage. This framework must align with the state-owned assets supervision protocols as well as domestic tax and labor regulations to prevent asset erosion and operational disputes. Such measures are essential to ensure divestitures remain consistent with the Two Sessions' policy intent of enhancing quality and efficiency while holding the line on risks. Notably, the imperatives of high-quality SOE development and standardized state-owned assets supervision impose even stricter compliance demands on the divesting process.

## Building a full-process capability system for certainty-adjusted price

Domestic sellers are shifting from a focus on headline valuation to securing a "certainty-adjusted price". This requires proactive coordination of tax and legal architecture designs and the refinement of value logic through standardized, IPO-level preparation. Furthermore, organizations need to institutionalize divestiture capabilities within their strategic frameworks. These measures are designed to continuously support core business focus and resource optimization, effectively aligning with the Two Sessions' call to deepen SOE reform and advance specialized integration.

Deloitte believes that the effective and proactive divestitures of non-core assets serve as a critical lever for the structural upgrading and transformation of China's economy. It is an indispensable link in the concentrated effort to cultivate the six emerging pillar industries.

## Executive summary

### *The Preparation Premium: Securing certainty-adjusted price in China divestitures*

Chinese Mainland and Hong Kong sellers demonstrate a unique **structural advantage in value realization**, "missing price expectations" in only 3% of deals compared to a 17% global average. However, this "defended downside" is offset by disproportionately high **post-close value leakage risks**, primarily driven by **tax and legal entity complexities** (cited by 60% of China sellers vs. 38% globally) and retained contingencies. In the current rebounding M&A market, sellers must shift from a focus on headline valuation to securing a "**certainty-adjusted price**" by treating legal and tax architecture as front-line value drivers rather than post deal considerations.

**Management preparedness** emerges as the most critical "swing factor" in the market, with 45% of China sellers identifying it as a top area for improvement—a 16% lead over the global average. To maintain a competitive edge, leadership teams should consider "**IPO-style**" **readiness sprints**, focusing on evidence-based proof and a clear standalone "Day 1" operating narrative to counter buyer scrutiny. Furthermore, because China sellers use significantly fewer **HR Transition Service Agreements (TSAs)** (6% vs. 29%), achieving "**Day 1**" **people independence** is a non-negotiable requirement to prevent disruption risks from being priced in by buyers.

Despite a high-tech environment, a significant "**AI comfort gap**" exists, with 34% of China sellers expressing discomfort with M&A-specific AI tools compared to 14% globally. This creates a tangible opportunity for progressive sellers to differentiate themselves through **selective tech enablement**—specifically for data hygiene, Q&A workflows, and Transitional Service Agreement (TSA) tracking—to improve process speed and data reliability. Given the **increased regulatory and compliance expectations** in 2025-2026, including more active merger control and indirect transfer tax enforcement, those who provide high-quality, tech-backed transparency will be best positioned to protect value through the entire divestiture lifecycle.

To explore how disciplined divestitures, alongside acquisitions, can underpin a holistic transformation journey and position your organisation as a growth transformer, refer to: [Transformational M&A: The Growth Transformer's Playbook Asia Pacific](#).

## Five insights will likely define the year ahead



**China sellers are "defended" on price downside but could be missing upside potential**

**The Chinese Mainland/HK seller experience looks more "defended" on downside than the global average**—either because expectations are set more conservatively, the sell-side perimeter is packaged more cleanly, or buyer competition is managed more effectively—the key opportunity is still in creating competitive tension and de-risking diligence (the usual drivers of above-plan outcomes).



**Post-close value leakage risk is typically linked to legal / tax / and other liabilities**

**China sellers face nearly double the global average of post-close challenges from tax and legal complexities.** To protect proceeds, Chinese dealmakers must treat legal entity architecture as a front-line value driver rather than back-office cleanup, proactively ring-fencing retained liabilities to reduce the need for conservative buyer holdbacks.



**Management readiness is a bigger swing factor in China than globally**

**Management preparedness (storytelling discipline, operational command of separation issues, ability to respond crisply in diligence) is a more distinctive differentiator than globally.** Treat management prep like an IPO readiness sprint—value story, KPI pack, Day 1 operating model narrative, TSA logic, and risk register—tested via mock Q&A.



**China sellers and buyers favour complete "Day 1" people standalone operations**

**China sellers use significantly fewer HR Transition Service Agreements (TSAs) than global peers** to avoid post-close entanglement. This makes "Day 1" people readiness non-negotiable; sellers must deliver airtight employee transfer plans and clean HR data handoffs to prevent transition risks from being "priced in" by buyers.



**China sellers are less comfortable with AI M&A tools and is missing an opportunity**

**A significant discomfort with using M&A-specific AI creates a distinct competitive opportunity for forward-thinking sellers.** By leveraging "low-regret" technology for diligence data hygiene, automated Q&A, and digital TSA tracking, sellers can significantly increase process speed and data reliability to stand out to sophisticated international buyers.

## Turning insights into action

For organizations that are evaluating separations, the message is clear: Divesting can be a defensive M&A strategy but should not be a reactive tactic only. Rather, divestitures should be a proactive mechanism for sharpening focus, reallocating capital, and positioning an enterprise for the next decade of competitive advantage.

The leading organizations will likely be those that treat divestiture readiness as a strategic capability embedded within a broader agenda of transformation. Our findings suggest many do not yet.

- Are organizations prepared? It depends. Overall, fewer than half of respondents feel confident in achieving favorable outcomes during opportunistic approaches. In effect, divestiture success can be a coin toss. However, private equity respondents are nearly three times as confident as corporate sellers.

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*The leading organizations will likely be those that treat divestiture readiness as a strategic capability embedded within a broader agenda of transformation.*

- This confidence gap reflects cumulative value erosion driven by slow decisions, ambiguous information, prolonged diligence, and insufficient readiness.
- Underperforming sellers consistently cited misalignment among priorities: They emphasize price, speed, and certainty, but buyers are looking for fit, synergies, integration feasibility, and management capability.
- Post-close friction remains acute. Dis-synergies, tax and legal complexity, transitional operation model, and stranded costs continue to challenge both sides. Few sellers fully mitigate these costs.

However, these observations also provide a blueprint that sellers can use to help outperform the market by systematically increasing optionality, investing early in readiness, minimizing post-close commitments, and orchestrating deals with strategic intent.

Organizations that treat divestitures as intentionally designed, multistage transformation events can shape their transactions well before they go to market, improving the business while transacting and exiting transitional commitments with urgency.

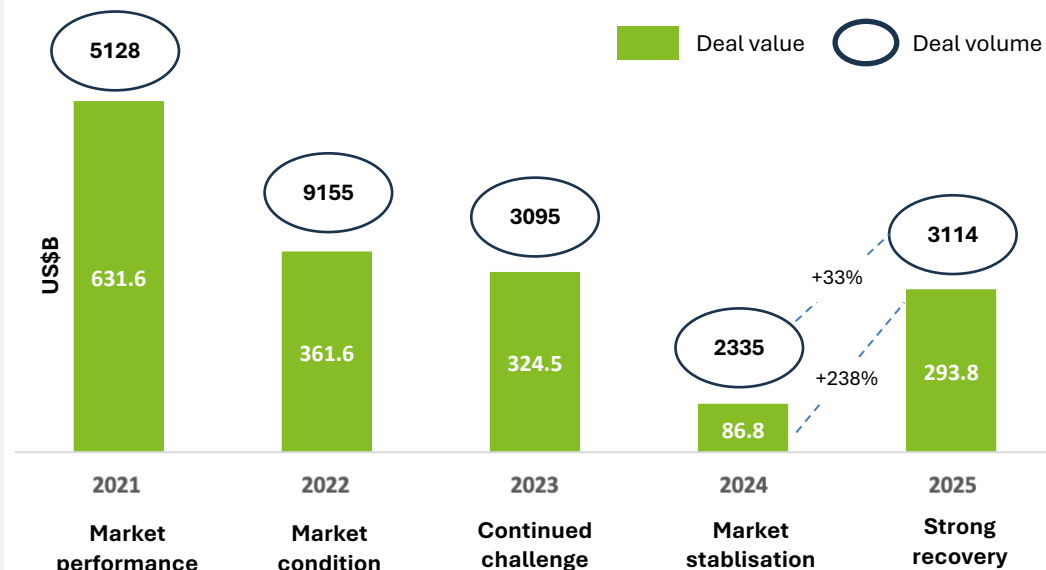
## Acceleration of the divestment wave

China's M&A market led APAC with deal value exceeding about **\$300B** in FY25, diverging from the global market's megadeal-driven recovery that reached **\$4.8-5.1T** after the historic **\$5T** peak in FY21. While global activity has been largely cyclical, dictated by stabilizing interest rates and the deployment of approximately \$2.2 trillion in private equity "dry powder," China's market is undergoing a **structural transformation driven by state-directed industrial policy**. This is evidenced by a resilient domestic A-share market focusing on "New Productive Forces," where transactions are increasingly aimed at **industrial chain consolidation in semiconductors, AI, and high-end manufacturing** to achieve national self-sufficiency.

A defining feature of this period is an **accelerating wave of divestments**, characterized by both multinational corporations (MNCs) and domestic conglomerates rationalizing their portfolios. MNCs are increasingly executing **strategic exits or shifting to licensing and franchise models** to manage geopolitical risks and supply chain diversification, as seen with companies like Gap Inc., Beyond Meat, and GE HealthCare. Simultaneously, major Chinese conglomerates such as **Fosun International and Alibaba are pursuing aggressive deleveraging**, shedding non-core assets to generate liquidity and refocus on core strategic priorities.

Looking toward 2026, the environment is increasingly characterized by **structural decoupling rather than cyclical cooling**, with the "China Plus One" strategy hardening into a permanent operational reality for many global firms. This shift reflects a broader trend where geopolitical friction and regulatory barriers, such as the BIOSECURE Act, continue to reshape cross-border capital allocation and dictate new operational boundaries.

Figure 1: China M&A transacted deals since FY21 to FY25



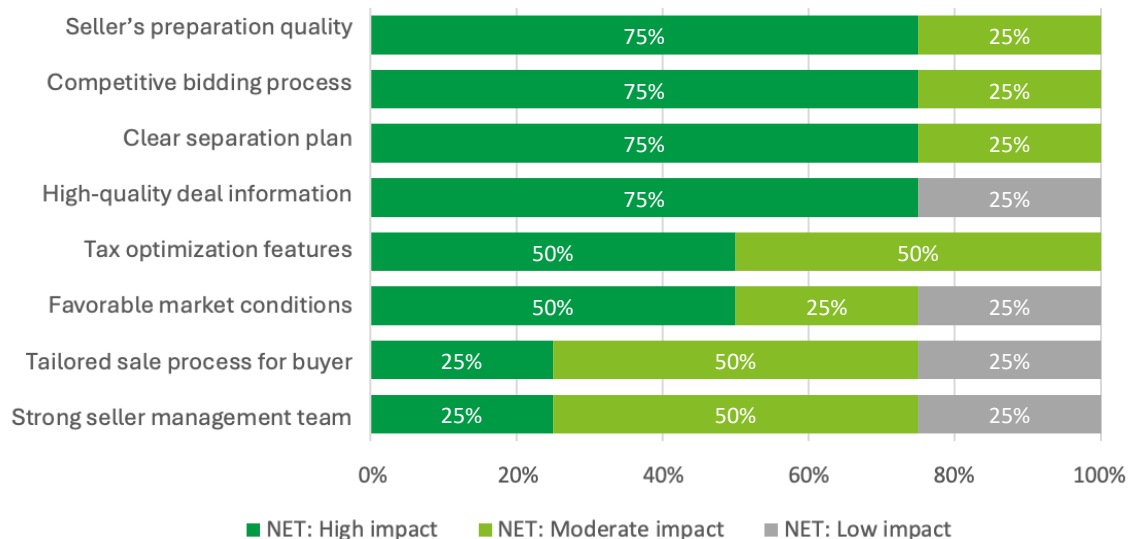
Source: AlphaSense - Zero2IPO Research - China Transacted deals since FY21

# Deal value maximisation

Chinese Mainland and Hong Kong sellers exhibit a remarkable **structural advantage in divestitures**, missing price expectations in only 3% of deals compared to a 17% global average. This "defended downside" is largely attributed to a more **conservative calibration of expectations** and rigorous alignment between internal valuations, board thresholds, and market guidance prior to a deal's launch. By prioritizing process quality and discipline, these sellers systematically convert preparation into defensible value outcomes, ensuring that the gap between predicted and realized value remains narrow.

A cornerstone of this success is the strategic shift from chasing headline valuation to optimizing for a **"certainty-adjusted price"**. Leading sellers in this market prioritize bids that offer credible financing and limited conditionality over marginally higher, yet riskier, theoretical offers. Sellers anchor buyers with a **tight, quantitative value story** that links specific KPIs—such as contractually committed revenues, recurring income ratios, and unit economics—directly to forward-looking cash flows. This granular transparency makes it significantly more difficult for buyers to argue for broad "macro" discounts or "price chips" late in the negotiation process.

**Figure 2: Buyers paying more than expected**



Furthermore, top-performing sellers proactively **pre-package separation mechanics**, addressing standalone costs and Day 1 readiness well before formal buyer outreach. By providing a quantified view of the go-forward operating cost base, including TSA (Transition Service Agreement) pricing and stranded cost profiles, sellers transform open-ended risks into **bounded, modelable P&L impacts**. This level of operational readiness—spanning systems cutover to treasury controls—removes the ambiguity that often leads buyers to apply "haircuts" for execution risk, ultimately compressing the bid spread and shortening diligence cycles.

Ultimately, these divestitures are increasingly viewed as **strategic, transformation-led moves** rather than simple disposals. By acting as "Growth Transformers," Chinese Mainland and Hong Kong sellers redeploy capital from these well-defended exits into higher-return portfolios. This holistic approach—combining high information quality, coherent data books, and aligned management messaging—reinforces a perception of lower risk, positioning these sellers to both **protect their downside and maximize upside** during portfolio reshaping.

Source: Deloitte 2026 Global Divestiture Survey; China sample size: n=35

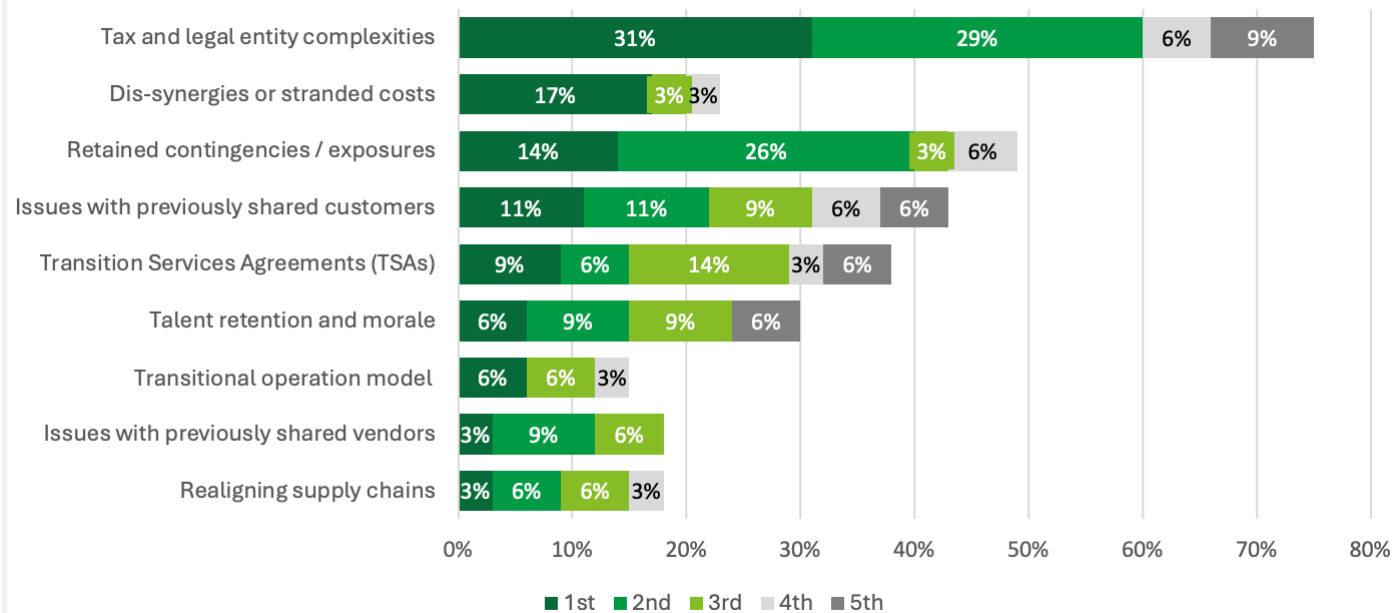
# Post-close value leakage mitigation

For China-based divestitures, **post-close friction represents a disproportionately high risk**, with structural complexities often leading to significant value erosion after signing. Survey data indicates that **60% of China sellers identify tax and legal entity complexity as a top-three challenge**, a sharp contrast to the 38% global benchmark. This elevated risk environment is driven by China’s unique regulatory and tax regimes—including indirect transfer rules and onshore-offshore flow constraints—which make "tidying up" entities post-close significantly slower and more expensive than in other markets.

To mitigate these risks, leading sellers must transition tax and legal structuring from "back-office clean-up" activities to **front-line value drivers**. By locking a definitive **legal entity blueprint early** in the process, sellers can ensure that structuring decisions directly inform the deal perimeter, terms, and price. This proactive approach involves clearly normalizing intercompany flows—such as management fees and royalties—within carve-out financials, making it easier for buyers to underwrite outcomes without applying broad-brush "macro" discounts.

Protecting cash proceeds further requires the **rigorous quantification and ring-fencing of retained liabilities**, such as historic tax exposures or labor claims. Rather than accepting conservative buyer holdbacks, high-performing sellers use targeted tools like **specific escrows, indemnity designs, and caps** to bound exposure. When risks are clearly scoped and backed by these protections, buyers have less justification for sweeping price chips, directly defending the seller’s economics at closing.

**Figure 3: Sellers’ biggest continuing challenges in recent divestitures**



Source: Deloitte 2026 Global Divestiture Survey; China sample size: n=35

# The "Swing factors"

**Figure 4: Top 5 things sellers would do differently in the next divestiture**



Source: Deloitte 2026 Global Divestiture Survey; China sample size: n=35

Management preparedness is a uniquely powerful **"swing factor" in China divestitures**, with sellers in this market being 16 percentage points more likely than the global average (45% vs. 29%) to prioritize more extensive preparation in future deals. In China, complex cross-border narratives, regulatory sensitivities, and mixed investor familiarity increase the premium on a clear and confident management story. When leadership is under-prepared, buyers typically respond by **lengthening diligence, widening risk discounts, or requesting additional protections**, all of which contribute to significant value leakage and execution drag.

To mitigate these risks, executives should implement an **"IPO-style" readiness sprint** for the perimeter management team, setting a public-company standard for all bidder interactions. This approach moves beyond generic growth aspirations to build an **equity story anchored in under writable metrics**, such as revenue quality, recurring income elements, and capital efficiency. For China-based assets specifically, this involves directly addressing investor concerns regarding macro volatility and regulation while providing a clear **"first 100 days" operating narrative** to ensure business continuity and immediate value creation from day one.

High-performing sellers **institutionalize readiness through structured rehearsal cycles** rather than relying on ad-hoc briefings. By utilizing mock Q&A sessions, dry-runs of presentations, and scripted responses to high-risk topics—such as churn, pricing, and compliance—management ensures all answers are **evidence-backed and consistent** with data room materials. This level of discipline, often using sell-side diligence as a rehearsal engine, upgrades management’s ability to handle intense scrutiny and prevents misalignment between verbal statements and documented reports, ultimately converting preparation into a **distinct competitive edge**.

# Day 1 standalone operations

Achieving "**Day 1 people independence**" is a critical differentiator for China divestitures, as **sellers in this market utilize HR Transition Service Agreements (TSAs) in only 6% of deals, compared to a 29% global average**. This move toward immediate separation is driven by a desire to avoid the long-term operational entanglements necessitated by China's complex labor laws and regulatory requirements, such as local social insurance, housing funds, and dispatch rules.



Here are the key insights regarding people readiness in China-based deals:

- **The "Clean Break" Requirement:** Unlike global carve-outs that may lean on TSAs for payroll and benefits, China sellers typically follow a **terminate-and-rehire model**. In this process, the seller terminates the employee and the buyer signs a new contract; because rights do not automatically carry over, the **accuracy of transfer lists and terms is vital** to ensure a legal and operational clean break.
- **Mitigating Regulatory "Landmines":** Sellers must conduct integrated HR due diligence to identify and resolve "landmines" before transfer, such as **unregistered staff, unpaid insurance, or misclassified dispatch workers**. Failure to resolve these issues prior to Legal Day 1 can derail integration, trigger regulatory fines, or lead to significant talent flight.
- **Defending Valuation Against "Price Chips":** Where a robust, executable Day 1 people plan is missing, buyers will proactively **price in the risks** of payroll disruption and compliance exposure. Gaps in people readiness—specifically regarding organizational structure, decision rights, and reporting lines—translate directly into **valuation chips** for buyers during negotiations.
- **Utilizing Structural Substitutes for TSAs:** To bypass the need for a traditional HR TSA, sellers and buyers are increasingly using **Employer of Record (EOR) solutions**. This allows a buyer to host employees and start operations immediately while they build their own infrastructure, providing a **structural bridge to independence** that maintains the seller's desire for a clean exit.

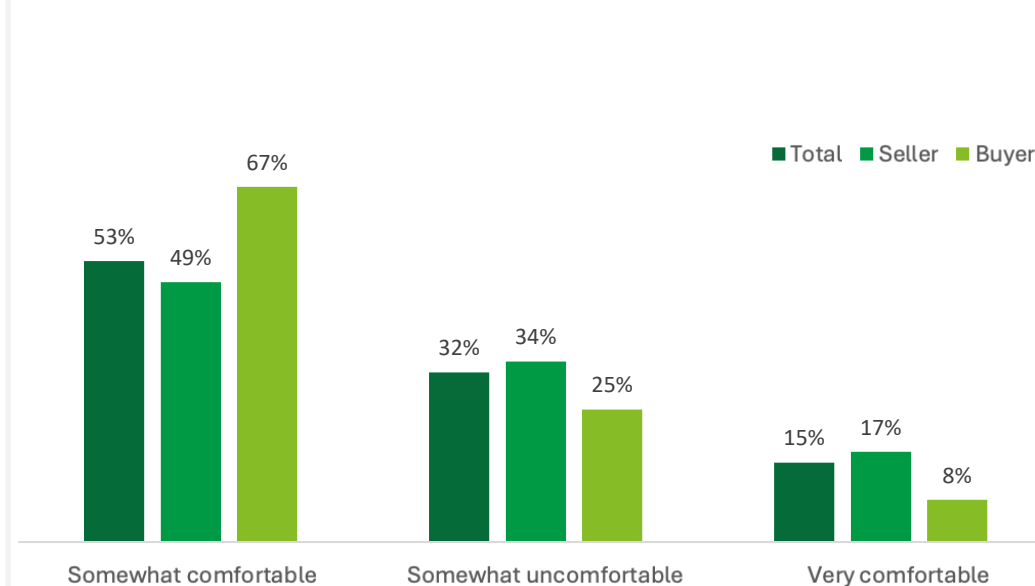
## Better leverage of AI tools

Despite the market’s high-tech reputation, **China-based sellers exhibit a significant "AI comfort gap"** in M&A, with 34% expressing discomfort with AI and GenAI compared to only 14% globally. This hesitation, often rooted in concerns over governance, funding, and risk, has resulted in a reliance on manual, spreadsheet-driven workflows. However, this lag creates a substantial **capability gap that progressive sellers can exploit** as a competitive edge to run faster, cleaner divestiture processes that stand out to sophisticated international buyers.

To bridge this gap, leading sellers are adopting **"low-regret" AI use cases**—behind-the-scenes applications that enhance quality and speed with limited regulatory or reputational risk,. One primary application is **AI-driven diligence data hygiene**, where tools scan and structure large document sets to ensure a virtual data room is "clean on day one," reducing buyer frustration and the risk of errors undermining trust. Additionally, **automated Q&A workflows** replace manual tracking with AI-powered routing and draft suggestions, cutting response times and eliminating the probability of inconsistent answers in complex cross-border deals.

For China sellers, the path forward involves **piloting AI in low-risk back-office workstreams**, such as document tagging and Q&A triage, to build internal comfort. These initial successes can then be scaled into an **integrated M&A "cockpit"** that combines data room management, TSA tracking, and issue logs into a single environment. By transforming information management from a manual burden into a digitally governed asset, sellers turn an adoption gap into a **visible differentiator** that protects value throughout the divestiture lifecycle.

**Figure 5: Level of comfort Deploying AI or Gen AI M&A tools in future transactions**



Source: Deloitte 2026 Global Divestiture Survey; China sample size: n=47

# The outlook for China in deal making

## Activity and volume outlook

China dealmaking is entering a renewed growth phase, with rebounding volumes and value underpinned by domestic strategic activity, policy-driven consolidation and deeper pools of RMB capital, but still framed by tighter regulatory, geopolitical and financing conditions that reward well-structured, "certainty-rich" transactions. China's M&A market rebounded strongly in 2025, with disclosed deal value exceeding about \$300B and deal volume up about 33%, and the underlying drivers—restructuring, consolidation and ample liquidity—are expected to remain in place into 2026.

## Strategic and sector themes

Domestic strategic buyers, including state-owned enterprises, are driving the rebound, concentrating on priority sectors such as semiconductors, artificial intelligence, new energy, industrials and healthcare, and this policy-driven consolidation is set to continue. Private equity and VC activity is also recovering, backed by state-linked capital and new tools like the National Venture Capital Guidance Fund, which aims to mobilize over RMB 1 trillion of social capital to support sustained deal flow and exits.

## Regulatory and geopolitical context

The central government continues to support consolidation in "emerging and future industries" and has simplified parts of the approval process, even as merger control and related enforcement tighten, raising the value of early regulatory planning and clean deal structures. Foreign investment into China has grown more cautious amid compliance, tariff and geopolitical pressures, so China outbound and "China-for-global" deals are becoming more selective, concentrating on supply-chain resilience and lower-sensitivity technology or content plays.

## Implications for dealmakers in China

For corporate and PE sellers, the combination of strong domestic liquidity and recovering capital markets supports robust processes and competitive tension, but buyers will discount heavily for legal, tax and regulatory ambiguity, making perimeter design, liability architecture and data reliability central to value realization.

For buyers, the outlook points to abundant opportunity in policy-favoured sectors and stressed assets, but success will hinge on navigating evolving local rules, managing cross-border sensitivities and building differentiated theses in a market where both state-backed and private capital are increasingly sophisticated.

For more insights, please review Deloitte's 2026 Global Divestiture Survey and feel free to contact us:



**Denken Meng**  
Managing Partner  
Strategy, Risk & Transactions  
Deloitte China  
[denmeng@deloittecn.com.cn](mailto:denmeng@deloittecn.com.cn)



**Michael Yu**  
Managing Partner  
Mergers & Acquisitions  
Deloitte China  
[micyu@deloittecn.com.cn](mailto:micyu@deloittecn.com.cn)



**Shirley Wang**  
Managing Partner  
Strategy, Risk & Transactions  
Business Transformation  
Deloitte China  
[shiwang@deloittecn.com.cn](mailto:shiwang@deloittecn.com.cn)



**Stanley Lah**  
Managing Partner  
Strategy & Transactions  
Deloitte China  
[slah@deloitte.com](mailto:slah@deloitte.com)

## Endnotes

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1. Deloitte, Global Divestiture Outlook 2026, accessed January 2026
2. Deloitte, Rebalancing Your Portfolio to Fuel Growth 2024, , accessed January 2026
3. AlphaSence - Zero2IPO Research – China Transacted deals since FY21

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