

## Industrial Sector

4th Quarter 2007

### China Industrial M&A Quarterly

#### Highlights

- SAIC Motor acquired all the manufacturing assets of Nanjing Automobile (Group) from Yuejin Motor for US\$284.3 million

This acquisition is part of the Chinese government's strategic initiatives to create a national car player to rival the big multinationals.

- China Security & Surveillance Technology acquired Stonesonic Digital and Shenzhen Jin Lin Technology for US\$43.9 million

Through these acquisitions, China Security & Surveillance Technology continues geographic expansion and strengthens its vertical product offering.

- Goldman Sachs and D.E. Shaw Group invested US\$250.0 million for a minority stake in Jiangsu Rongsheng Heavy Industries Group

Rongsheng will use the funding to increase its manufacturing capacity. It is aiming for an IPO in Hong Kong in 2008.

- Arcelor Mittal acquired a 28.2% stake in China Oriental Group for US\$647.0 million

The transaction provides Arcelor Mittal with a platform for further expansion in the Asian markets through mergers and acquisitions.

#### Beijing

Suite 11J Oriental Kenzo Plaza  
48 Dongzhimen Wai Avenue  
Beijing 100027, China  
+86 (10) 8447 7398

#### Hong Kong

Suite 3518 Jardine House  
One Connaught Place  
Central, Hong Kong  
+852 2973 5311

#### Shanghai

5F Crystal Century Tower  
567 Weihai Road, Jingan District  
Shanghai 200040, China  
+86 (21) 6288 6555

info@latitudecapital.com  
www.latitudecapital.com

## Introduction

We are pleased to present our quarterly review of the China industrial sector M&A and private placement activities, focusing on both financial and strategic buyers/investors acquiring China assets and Chinese corporations acquiring overseas targets.

The purpose of this report is to provide a summary of notable China industrial M&A and private placement activities in the fourth quarter of 2007, highlighting selected notable transactions that are relevant to venture capital, private equity, and strategic buyers/investors. Our review is broken down into the following ten industrial sectors:

- Automotive Parts/Automotive
- Components
- Fire, Safety & Security
- HVAC
- Industrial Controls
- Machinery & Equipment
- Materials, Chemicals & Plastics
- Steel
- Power Generation/Distribution
- Water Treatment

However, during the fourth quarter of 2007, there were no notable transactions in the Components, HVAC and Industrial Controls sectors.

## Automotive Parts/Automotive

SAIC Motor Corporation Ltd., China's biggest car maker, acquired all the manufacturing assets of Nanjing Automobile (Group) Corporation from Yuejin Motor Corporation for US\$284.3 million. The acquisition is part of Chinese government's strategic initiatives to create a national car player to compete with international rivals.

### Selected Automotive Parts/Automotive Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Dec 26	SAIC Motor Corporation Ltd. [SHSE: 600104]	Nanjing Automobile (Group) Corporation	284.3	100.0	284.3	Produces, sells and distributes automobile and automobile accessories

## Fire, Safety & Security

China Security & Surveillance Technology, Inc., a leading provider of digital surveillance technology, acquired two Chinese security and surveillance companies, Stonesonic Digital Technique Co., Ltd. and Shenzhen Jin Lin Technology Co., Ltd. for a total of US\$43.9 million. Through these acquisitions, China Security & Surveillance Technology continues its geographic expansion and strengthens its vertical product offering.

### Selected Fire, Safety & Security Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Oct 16	China Security & Surveillance Technology, Inc. [OTCBB: CSCT]	Stonesonic Digital Technique Co., Ltd.; Shenzhen Jin Lin Technology Co., Ltd.	43.9	100.0	43.9	Stonesonic is a monitoring equipment hardware manufacturer based in Chaozhou; Guangdong Province Jin Lin provides professional intelligent security monitoring systems specialized in the development of intelligent transportation system (ITS)

## Machinery & Equipment

Wonson International Holdings Ltd., a Hong Kong-based metals and securities trader, acquired a Chinese shipyard Jianxi Jiangzhou Lianhe Shipbuilding Ltd. for US\$451.3 million. Wonson will help Jianxi expand manufacturing capacity and improve manufacturing processes to compete with rivals in South Korea and Japan. Through this acquisition, Wonson aims to broaden its revenue base on rising demand for vessels in the Asian markets.

Checkpoint Systems, Inc., a leading supplier of shrink management solutions, acquired 100.0% of SIDEPE, a Shanghai-based provider of electronic article surveillance (EAS) products, for US\$37.0 million. SIDEPE is the majority owner of Shanghai Asialco Electronics Co., Ltd., a RF-EAS label manufacturer. Upon closing the acquisition of SIDEPE, Checkpoint also acquired

the remaining stake in Asialco from its minority shareholders. These acquisitions would allow Checkpoint to significantly increase its label manufacturing capacity with facilities in Shanghai to meet the growing demand in the Asian markets.

Goldman Sachs and D.E. Shaw Group invested US\$250.0 million for a minority stake in Jiangsu Rongsheng Heavy Industries Group Co. Ltd., a leading ship builder in China. Rongsheng will use the funding to increase its manufacturing capacity. It is aiming for an IPO in Hong Kong in 2008.

#### Selected Machinery & Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Dec 24	Sichuan Changhong Electric Co. Ltd. [SHSE: 600839]	Huayi Compressor Co. Ltd. [SZSE: 000404]	31.8	29.9	106.1	Produces and sells compressors
Nov 30	Zhejiang Tianma Bearing Co. Ltd. [SZSE: 002122]	Qizhong CNC Equipment Co Ltd.	40.5	65.1	62.2	Produces and sells machine tools
Nov 15	Wonson International Holdings Limited [HKSE: 0651]	Jiangxi Jiangzhou Lianhe Shipbuilding Ltd.	451.3	100.0	451.3	Makes and repairs vessels and manufactures cranes and electrical appliances
Nov 12	Checkpoint Systems Inc. [NYSE: CKP]	SIDEP; Shanghai Asialco Electronics Co., Ltd.	37.0	100.0	37.0	SIDEP provides electronic article surveillance products (EAS) and anti-shoplifting systems / anti-theft devices for retail stores and hypermarkets in China
Nov 7	Goldman Sachs, D.E. Shaw Group	Jiangsu Rongsheng Heavy Industries Group Co. Ltd.	250.0	NA	NA	A leading ship builder based in Jiangsu

#### Materials, Chemicals & Plastics

China Minmetals Nonferrous Metals Co., Ltd. and Jiangxi Copper Co. Ltd. acquired 95.92% of Northern Peru Copper Corp. of Canada, thus acquiring the property of El Galeno copper and gold mine and Hilorico gold mine in northern Peru. The acquisition was conducted by the Copper Bridge Acquisition Corp. (CBAC), an SPV jointly established by China Minmetals and the Jiangxi Copper. CBAC paid 436.7 million Canadian dollars (436.3 million U.S. dollars) on Jan. 28 for the purchase. According to Canadian law, the remaining part of the purchase will be completed within two months through compulsory buying.

China National Chemical Corporation, Fox Paine & Company, L.L.C., and Blackstone Group are planning to acquire 100.0% of Nufarm Ltd., an Australian maker of farm chemicals, for US\$2.7 billion. Upon completion of this transaction, China National Chemical would be the first state-owned Chinese company to team up with buyout firms for an overseas acquisition.

Hong Kong-based New Times Group Holdings Ltd., a financial and property leasing services provider, acquired 100.0% of Jade Honest Ltd., an oil and gas exploration and production company headquartered in Hong Kong, for US\$1.3 billion. The acquisition would bring New Times Group a diversified portfolio and broaden its income stream from the rapidly growing petroleum and natural gas market.

#### Selected Materials, Chemicals & Plastics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Dec 6	China Minmetals Non-ferrous Metals Co., Ltd., Jiangxi Copper Co. Ltd. [SEHK: 358]	Northern Peru Copper Corp. [TSX: NOC]	432.7	95.9	436.3	Engages in the identification, acquisition, exploration and development of mineral resources in Peru
Dec 6	China Shipbuilding Industry Corporation, China Southern Fund Management Co.	Xinhua Metal Products Co Ltd [SHSE: 600782]	270.0	100.0	270.0	Manufactures wires and cables in China

**Selected Materials, Chemicals & Plastics Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
	[SZSE: 184698], Shanghai Baosteel Group Corp.					
Nov 5	Panzhuhua New Steel & Vanadium Co., Ltd. [SZSE: 000629]	Chongqing Titanium Industry Co. Ltd. of Pangang Group [SZSE: 000515]	456.3	100.0	456.3	Manufactures and markets titanium products
Nov 5	Minmetals Resources Ltd. [SEHK: 1208]	Guangxi Huayin Aluminium Co., Ltd.	115.2	33.0	349.1	Produces and sells alumina and related products
Nov 5	China National Chemical Corporation, Fox Paine & Company, L.L.C., Blackstone Group	Nufarm Ltd. [ASX: NUF]	2,733.1	100.0	2,733.1	An Australian maker of farm chemicals
Oct 30	Bohai Industrial Investment Fund Management Co.	Tianjin Pipe (Group) Corp.	200.0	20.0	1,000.0	China's largest provider of steel pipes for oil pipelines with a 50% market share
Oct 25	New Times Group Holdings Ltd. [HKSE: 166]	Jade Honest Ltd.	1,289.3	100.0	1,289.3	An oil and gas exploration and production company headquartered in Hong Kong
Oct 16	Sinofert Holdings Ltd. [SEHK: 297]	Qinghai Salt Lake Potash Co. Ltd. [SZSE: 000792]	849.4	18.5	4,594.0	Develops, produces and distributes chlorine potassium and carnallite
Oct 3	KazMunaiGas Exploration Production	CITIC Canada Petroleum Limited	875.5	50.0	1,751.0	An oil and gas exploration and production company with oil fields in Kazakhstan and U.S.

**Power Generation/Distribution**

China Resources Power Holdings Co. Ltd. acquired a 67% stake in Xuzhou Huaxin Power Generation Co., Ltd. from China Resources National Corporation (CRNC) for US\$127.9 million. The acquisition is in line with China Resources Power's strategy to operate large coal-fired generation units and will enable the Group to increase its power generation capacity in Jiangsu Province.

China Life Insurance Co. Ltd. acquired a 40% stake in Beijing Energy Investment Holding Co., Ltd. for US\$139.5 million. Beijing Energy, currently 100 percent owned by the Beijing city government, is the second largest shareholder of Datang International Power Generation Co, China's second-largest listed electricity producer. This acquisition is China Life Insurance's second investment in the infrastructure sector after the acquisition of a 32% stake in state-owned China Southern Power Grid Co., Ltd.

**Selected Power Generation/Distribution Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Dec 30	China Power International Development Ltd. [SEHK: 2380]	Guangzhou Power Enterprise (Group) Limited Company	103.0	25.0	411.8	Engages in the investment of electricity generation projects, production and sale of power and management of co-generation business in Guangzhou
Dec 12	China Guodian Corp.	Inner Mongolia Pingzhuang Coal Industry Group Co., Ltd.	283.6	51.0	556.0	A power generation company in Chifeng City, Inner Mongolia
Nov 23	China Resources Power Holdings Co. Ltd. [SEHK: 836]	Xuzhou Huaxin Power Generation Co., Ltd.	127.9	67.0	190.9	Engages in the construction and operation of power plants, generation and sale of power
Nov 13	China Life Insurance Co., Ltd [SHSE: 601628, SEHK: 2628]	Beijing Energy Investment Holding Co., Ltd.	139.5	40.0	348.7	A state-owned energy investment corporation

## Steel

Arcelor Mittal, the world's biggest steelmaker, acquired a 28.2% stake in the Hong Kong-listed China Oriental Group Co. Ltd. for US\$647.0 million. China Oriental Group is a holding company for Heibei Jinxi Iron and Steel Company Ltd, one of China's largest suppliers of steel billets.

Panzhuhua New Steel & Vanadium Co., Ltd., a leading supplier of steel rails, acquired 100.0% of Pangang Group Sichuan ChangCheng Special Steel Co., Ltd. from Panzhuhua Iron and Steel (Group) Co., Ltd., the 3rd largest supplier of steel in China, for US\$920.6 million. This transaction is in line with the buyer's plan to speed up steel asset acquisitions from its parent group.

### Selected Steel Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Nov 19	Western Mining Co. Ltd. [SHSE: 601168]	XiNing Special Steel Co., Ltd. [SHSE: 600117]	148.3	39.4	375.9	Engages in the smelting and processing of steel products
Nov 13	Wuhan Iron and Steel Co., Ltd. [SHSE: 600005]	Wuhan Iron and Steel Group, Affiliated Assets	1,098.3	100.0	1,098.3	Assets of coking, oxygen supply, metal resources, energy supply, and railway transportation current owned by Wuhan Iron and Steel Group
Nov 7	Arcelor Mittal [NYSE: MT]	China Oriental Group Co. Ltd. [SEHK:581]	647.0	28.2	2,294.3	Produces and sells iron and steel products in China
Nov 5	Panzhuhua New Steel & Vanadium Co., Ltd. [SZSE: 000629]	Pangang Group Sichuan ChangCheng Special Steel Co., Ltd. [SZSE: 000569]	920.6	100.0	920.6	Engages in the production and supply of steel

## Water Treatment

Everbright Water (Wuxi) Holdings Ltd., a wholly-owned subsidiary of China Everbright International Ltd. and Jiangyin-based Xin Guo Lian Investment and Development Co., established a joint venture to acquired the Qing Yuan water treatment plants from Qing Yuan Water Treatment Co., Ltd. and the Chengshi waste water treatment plants from Jiangyin Urban Sewage Treatment Co., Ltd. for US\$84.1 million. The new joint venture is engaged in the construction and operation of waste water treatment plants and ancillary facilities in Jiangyin, Jiangsu Province as well as development of new water treatment technology.

### Selected Water Treatment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Nov 26	China Water Industry Group Limited [SEHK: 1129]	Jinan Hong Quan Water Supply Limited	29.5	35.0	84.4	Engages in sewage treatment business and engineering construction work in Shandong province
Nov 19	China Everbright International Limited [SEHK: 0257], Xin Guo Lian Investment and Development Co.	Qing Yuan Waste Water Treatment Plants; Chengshi Waste Water Treatment Plants	84.1	70.0	120.1	Water treatment plants in Jiangyin City, Jiangsu Province

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## Beijing

Suite 11J Oriental Kenzo Plaza  
48 Dongzhimen Wai Avenue  
Beijing 100027, China

Tel +86 (10) 8447 7398  
Fax +86 (10) 8447 7396

## Hong Kong

Suite 3518 Jardine House  
One Connaught Place  
Central, Hong Kong

Tel +852 2973 5311  
Fax +852 2295 3979

## Shanghai

5F Crystal Century Tower  
567 Weihai Road, Jingan District  
Shanghai 200040, China

Tel +86 (21) 6288 6555  
Fax +86 (21) 6288 6585

[info@latitudecapital.com](mailto:info@latitudecapital.com)

[www.latitudecapital.com](http://www.latitudecapital.com)

