



China Industrial M&A Quarterly

2nd Quarter 2009

Quarter in Review

- Despite the rebound in China's economy in the second quarter, many VC/PE firms were still on the sidelines waiting for more attractive investment opportunities. Similar to the previous quarter, there were two notable transactions led by VC/PE firms in the alternative energy in this quarter
- By contrast, we saw relatively more transactions in the form of strategic investments and acquisitions, as a number of well capitalized players considered the economic slowdown as a great opportunity to consolidate the market by acquiring assets at lower valuation
- In 1H09, China was the largest auto market in terms of automobile sales volume despite the fact that Chinese consumers became a little cautious as well; automobile industry has seen a series of notable transactions
- With the gradual recovery in the scene, we expect the PE/VC firms to become more active in the coming quarters

Deal Highlights

- Solar wafer manufacturer ReneSola acquired 100.0% of Wuxi Jiacheng Solar Energy Technology, a solar cell and module manufacturer, for US\$17.3 million. The Acquisition provides ReneSola with a means of downstream integration.
- Suntech Power raised US\$50.0 million from International Finance Corporation. The funding will be used to support Suntech's development of the high efficiency Pluto technology and debt refinancing requirements.
- Chery Automobile raised US\$425.0 million from a group of investors. The fund-raising will help bolster Chery Automobile's balance sheet against shortfalls in sales during the tough times as the global turndown has reduced Chinese consumers' demand for new vehicles.
- Zotye Auto raised US\$105.5 million from SND Venture Group. The proceeds will be used for production capacity expansion and future business development.
- China Security & Surveillance Technology has launched a series of acquisition to expand the market leadership in China's security and surveillance industry by expanding portfolio of integrated solutions and services. Notably it acquired 100% stake of Shanghai Forever Security and Santachi Video Technology in June, 2009.

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Introduction

Cowen Latitude Asia, the wholly-owned Asia subsidiary of Cowen Group, Inc. (NASDAQ: COWN), is one of Asia's leading growth sector focused investment banks providing a full range of capital markets, M&A advisory and private placement services. The Firm specializes in the growth sectors of Alternative Energy, Consumer, Health Care, Industrial, Media, Technology, Telecom and Aerospace & Defense.

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 second quarter of 2009, highlighting selected notable transactions that are relevant to venture capital, private equity, and strategic buyers/investors. Our review is broken down into the following eleven industrial sectors:

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

However, during the second quarter of 2009, there were no notable transactions in the HVAC sectors.

Alternative Energy

Solar wafer manufacturer ReneSola's wholly owned subsidiary Zhejiang Yuhui Solar Energy Source Co., Ltd. acquired 100.0% of Wuxi Jiacheng Solar Energy Technology Co., Ltd. ("JC Solar"), a solar cell and module manufacturer, for US\$17.3 million. JC Solar has approximately 300 employees with current annual cell production capacity of 25 MW and annual module production capacity of 50 MW. The Acquisition provides ReneSola with a means of downstream integration.

South Korean private equity firm STIC Investments and MC Capital invested US\$30.0 million into Yeong Guan Energy Technology Group ("YGET"), a supplier of wind turbine components, for a roughly 30.0% stake. STIC Investment led the investment with US\$20.0 million while MC Capital filled the balance. The proceeds will be used to fund YGET's machinery expansion along with the new manufacturing facility in LiYang City and other long-term development projects across China.

Suntech Power Holdings, the world's largest manufacturer of crystalline silicon photovoltaic modules, raised US\$50.0 million from International Finance Corporation. Suntech will use the proceeds to support its development of the high efficiency Pluto technology and debt refinancing requirements.

Selected Alternative Energy Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Apr 7	CLP Holdings Ltd. (SEHK:2)	Roaring 40s Renewable Energy Pty Ltd., 10 Wind Farms in China	94.2	49.0	192.2	Operates 10 wind farms in China
Apr 20	NA	China Recycling Energy Corp (OTCBB:CREG)	2.0	NA	NA	Designs, sells and operates top gas recovery turbine systems (TRT) and other renewable energy products
Apr 27	Jinzhou Yangguang Energy Co., Ltd.	Jinzhou Jinmao Photovoltaic Technology Co., Ltd.	5.9	NA	NA	Provides solar PV modules

Selected Alternative Energy Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
May 12	Wide Success International Enterprise Limited	CWIG Diaobingshan Windpower Company Limited	5.0	20.0	25.1	Engages in wind power electricity generation
May 20	Zhejiang Yuhui Solar Energy Source Co. Ltd.	Wuxi Jiacheng Solar Energy Technology Co., Ltd.	17.3	100.0	17.3	Manufactures solar cells and modules
May 21	Cathay Forest Products Corp. (TSXV:CFZ)	Eco-Energy China Group	2.5	40.0	6.3	Produces biodiesel and operates multi-feedstock biodiesel refinery and jatropa plantations
Jun 2	MC Capital Asia Pacific Ltd.; STIC Investments, Inc	Yeong Guan Energy Technology Group	30.0	30.0	100.0	Manufactures and distributes wind turbine components
Jun 30	International Finance Corporation	Suntech Power Holdings Co. Ltd. (NYSE:STP)	50.0	NA	NA	Produces monocrystalline and multicrystalline silicon PV cells; PV modules; and building-integrated photovoltaics products

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Automotive Parts/Automotive

Zotye Auto, a Zhejiang-based SUV maker, raised US\$105.5 million from SND Venture Group, a Chinese private equity firm backed by the Suzhou government. The proceeds will be used for business expansion and future business development. Zotye Auto plans to make and sell 500,000 vehicles by 2012, aiming to double that capacity by 2017.

Chery Automobile, which produces tiny subcompact QQ, one of China's best-selling and least costly cars, raised US\$425.0 million from a group of investors. The fund-raising will help bolster Chery Automobile's balance sheet against shortfalls in sales during the tough times as the global slowdown has reduced Chinese consumers' demand for new vehicles. Chery has lowered the bar for itself amid tougher economic conditions and set the sales target at 419,000 vehicles in 2009.

Selected Alternative Energy Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Apr 28	Advanced Battery Technologies Inc. (Nasdaq:ABAT)	Wuxi Angell Autocycle Co. Ltd.	21.7	100	21.7	Manufactures motorcycles and electric bicycles
May 5	SND Ventrure Group	Zhejiang Zotye Automobile Company	105.5	NA	NA	Produces SUV
Jun 3	Bohai Industrial Investment Fund, CDH, China Huarong Asset Management and a Shenzhen-based investment fund	Chery Automobile	425.0	20.0	2125.0	Operates as an auto maker
Jun 29	GP Auto Parts Limited	Shanghai Jinting Automobile Harness Limited	11.7	50.0	23.4	Manufactures and markets automobile harness

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Components

Jonjee Hi-Tech Industrial and Commercial Holding invested US\$193.2 million in Forever Battery. The proceeds will be used to finance the expansion of a Ni-MH battery production project of Forever Battery. The project will be divided into two phases. The 1st phase, which will cost US\$49.3 million, will be completed in 2010. It will expand the company's Ni-MH battery production capacity to 100 million amp hours. The 2nd phase, which will cost US\$90.1 million, will begin in 2011 and it will further expand the Ni-MH battery production capacity to 363 million amp hours.

Selected Components Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Apr 13	Unimech Group (KLSE:UNIMECH)	Arita Valve (Tianjin) Co., Ltd.	0.2	5.0	4.0	Manufactures low pressure valves
Apr 28	Jonjee Hi Tech Industrial & Commercial Holding Co Ltd (SHSE:600872)	Forever Battery Co., Ltd	193.2	NA	NA	Produces Ni-MH battery

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Fire, Safety & Security

China Security & Surveillance Technology, a leading provider of digital surveillance technology, has launched a series of acquisition to expand the market leadership in China's security and surveillance industry by expanding portfolio of integrated solutions and services. Notably it acquired 100% stake of Santachi Video Technology, a leading security solutions provider for highways and railways in China, for approximately US\$21.9 million. Santachi Video Technology has consistently been named one of the country's top 10 security brands, and its products have been deployed in more than 30% of China's highways, according to official statistics in 2006.

Selected Fire, Safety & Security Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Jun 18	China Security & Surveillance Technology, Inc. (NYSE: CSR)	Shanghai Forever Security Co., Ltd.	2.5	100.0	2.5	Provides professional security and safety monitoring and first level alarm response services
Jun 24	China Security & Surveillance Technology, Inc. (NYSE: CSR)	Santachi Video Technology Co., Ltd.	22.0	100.0	22.0	Designs, manufactures, and sells closed-circuit television solutions.

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Industrial Control

Industrial Control sector was relatively quiet in the second quarter of 2009 with only one small transaction. Beijing Consen Automation Control, developer of petrochemical industry automation control systems and railway signal control systems, acquired the remaining 5% stake in Beijing Consen Transportation Technology, a provider of safety control systems services, for US\$0.7 million.

Selected Industrial Control Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
May 21	Beijing Consen Automation Control Co., Ltd.	Beijing Consen Transportation Technology Co., Ltd.	0.7	5.0	14.9	Engages in design, development, and sales of railway interlocking systems

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Machinery & Equipment

China North Optical-Electrical Technology raised US\$117.6 million via a PIPE on May 7. The proceeds will be used for an intelligent robot innovation project, a scene observation platform mass production project, a long-distance control innovation project, and a photoelectric detection innovation project.

Grand China Logistics Holding Company acquired a 50% stake in Zhoushan Jinhaiwan Shipyard for US\$438.9 million. Zhoushan Jinhaiwan Shipyard is equipped with a 3,000-meter outfitting wharf and 4 docks. It owns two 800-ton gantry cranes and six 300-ton cranes in the docks. The steel plate of processing output in Jinhaiwan Shipyard could be more than 500,000 tons per year and the annual output of shipbuilding could be more than 4.5 million tons.

Selected Machinery & Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
May 7	NA	China North Optical Electrical Technology Co., Ltd. (SHSE:600435)	117.6	NA	NA	Engages in the production and sales of textile automatic manufacturing equipment, computer software, hardware, and components
Jun 23	Grand China Logistics Holding Company Ltd.	Zhoushan Jinhaiwan Shipyard Co., Ltd.	438.9	50.0%	877.7	Builds large and medium ships, such as crude oil tankers, bulk carriers, and container ships
Jun 30	Fortune Venture Capital	Xi'an Dagang Road Machinery	3.8	NA	NA	Specializing in the R&D, production, sales and technological service of road paving and maintenance machines

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Materials, Chemicals & Plastics

China National Materials, a provider of cement equipment and engineering services, acquired 49.9% of Ningxia Building Materials Group (NBM) for US\$147.9 million. NBM has established a plant of new dry process cement project in Qingtongxia City, which has a daily production capacity of 2,500 tons of cement, and also has begun the construction of two dry process cement projects in Yinchuan City and Wuzhong City, which have a combined daily production capacity of 4,500 tons of cement.

Nubrands Group Holdings, which offers its healthcare and beauty products under the LaVie brand through multinational healthcare chains and supermarket chains, acquired 90% stake of Shouyang Maijie Industry for US\$452.7 million. Shouyang Maijie Industry Company owns and operates coal mining rights and licenses.

Selected Materials, Chemicals & Plastics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Apr 28	China National Materials Company Ltd (SEHK:1893)	Xinjiang Tianshan Cement Co., Ltd. (SZSE:000877)	219.6	8.1	2,717.5	Engages in the production of cement and concrete
Apr 13	China National Materials Company Ltd (SEHK:1893)	Ningxia Building Materials Group Co., Ltd.	147.9	49.9	296.4	Engages in the production and sales of cement, cement clinker and cement products
Apr 20	AVIC Sanxin Co., Ltd. (SZSE:002163)	Fuyao Hainan Float Glass Co., Ltd.	65.8	100.0	65.8	Engages in the construction of float glass production lines
May 19	NA	Western Metal Materials Co., Ltd. (SZSE:002149)	73.9	NA	NA	Produces metal products such as sheet, strip, foil, wire, bar, and tube and the deep-processed products

Selected Materials, Chemicals & Plastics Transactions

May 27	Nubrand Group Holdings Limited (SEHK: 835)	Shouyang Maijie Industry Company Limited	452.7	90.0	503.0	Owns and operates coal mining rights and licenses
Jun 8	Shandong Gold-Mining Co. Ltd (SHSE: 600547)	Shandong Gold Group Co., Ltd., Exploration Right to Xinlicun Gold Deposit in Laizhou City	97.9	100.0	97.9	Comprises gold reserves
Jun 15	China National Materials Company Ltd (SEHK: 1893)	Gansu Qilianshan Cement Group Co. Ltd. (SHSE: 600720)	105.2	NA	NA	Offers commercial clinker and concrete products
Jun 18	PetroChina Co. Ltd. (SEHK: 857)	China Petroleum Western Pipeline Co., Ltd., Western Pipeline Assets	1,420.2	100.0	1,420.2	Provides petroleum related products
Jun 30	Huadian Energy Company Ltd. (SHSE: 900937)	Xingbian Mining Co., Ltd.	70.1	70.0	100.2	Operates as a coal producing company and produces 600 thousand tons per year

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Steel

Laiwu Steel, part of China's sixth-biggest steelmaker, agreed to pay US\$68.2 million to acquire a power plant from its parent to boost electricity supplies. The payment of US\$68.2 is for the first phase of the project, which is designed to have an annual generating capacity of 341 KWH. Funds for the second phase will be decided after the construction work is completed.

Selected Steel Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Apr 20	Yalian Steel Corporation (TSXV: YL)	Yangzhou Yalian Steel Pipe Co. Ltd.	NA	15.0	NA	Manufactures and markets longitudinal submerged arc welded ("LSAW") steel pipes
Apr 27	Tangshan Fengrun Zhengda Iron and Steel Company Limited	Tangshan Fengrun Hengfeng Iron and Steel Company Limited, Iron and Steel production Assets	29.3	100.0	29.3	Provides iron and steel production services
Jun 3	Laiwu Steel Corporation (SHSE: 600102)	Laiwu Iron & Steel Group Company Limited, Combined Cycle Power Plant Assets	68.2	100.0	68.2	Provides steel related products

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Power Generation/Distribution

Guangdong Yuedian Group acquired 20% of North United Power Corporation which operates as a subsidiary of China Huaneng Group, for US\$290.0 million. North United Power Corporation generated loss after tax of US\$338.0 million as of Dec 31, 2008.

Huaneng Power International acquired a 55% stake of Tianjin Huaneng Yangliuqing Co-generation which records operating revenue of approximately US\$321.1 million and net profit of approximately US\$2.4 million as of Dec 31, 2008.

Selected Power Generation/Distribution Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Apr 8	China Huadian Corp.	Huadian Power International Corporation Limited (SEHK: 1071)	493.7	NA	NA	Engages in the generation and sales of electricity and heat
Apr 14	Electricité de France (ENXTPA: EDF)	Datang Sanmenxia Power Generation Co., Ltd.	46.5	35.0	132.8	Engages in power generation
Apr 20	Guangdong Yuedian Group Co. Ltd.	Guangdong Electric Power Development Co., Ltd. (SZSE: 200539)	175.5	NA	NA	Develops electric power plants in Guangdong
Apr 21	Guangdong Yuedian Group Co. Ltd.	North United Power Corporation	290.0	20.0	1,450.2	Operates as a generator and supplier of electric and thermal power
Apr 21	Huaneng Power International Inc. (SEHK: 902)	Tianjin Huaneng Yangliuqing Co-generation Co., Ltd.	157.6	55.0	286.6	Engages in power generation

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Water Treatment

Shanghai Xinyuan Waterworks, a supplier of water and water-heating equipment, raised US\$28.2 million from new investor Fujian Zijin Investment and existing investor Minxi Xinghang State-Owned Assets Investments. Fujian Zijin Investment and Minxi Xinghang State-Owned Assets Investments will hold 38% and 62% stake respectively in the company after the transaction. The proceeds will be used for business expansion.

Selected Water Treatment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Jun 11	United Envirotech Ltd. (SGX:U19)	Tongji Environment (Asia) Private Limited	NA	100.0	NA	Owns and operates three waste water treatment plants and one sludge treatment plant
Jun 22	Minxi Xinghang State-Owned Assets Investments; Fujian Zijin Investment	Shanghai Xinyuan Waterworks Company Limited	28.2	NA	NA	Engages in water supply and distributes water-heating equipments

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

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