

## China Industrial M&A Quarterly

3rd Quarter 2008

### Quarter in Review

- While the global financial meltdown began to hit various industries in the rest of the world, China has not felt the pain yet in the third quarter. Clean tech, particularly the wind and solar sectors, have been investors' focus:
  - Wuxi Qiaolian Wind raised US\$70.0 million from four investors led by Avenue Capital
  - ET Solar Group raised US\$31.0 million funding from China Equity Links SAS and NewMargin
- Goldman Sachs made its first foray into China's lighting market by acquiring a minority stake of NVC Lighting for US\$37.0 million
- On the mega deal side, Daimler AG reached a consensus with Chrysler over Chrysler's exit from the Beijing Benz-DaimlerChrysler joint venture, and Sinopec International acquired 100.0% of Tanganyika Oil Co. for US\$1.9 billion

### Deal Highlights

- Chinese wind turbine castings maker Wuxi Qiaolian Wind raised US\$70.0 million from Avenue Capital, NBP Asia, iD Tech Ventures and China Environment Fund
- ET Solar Group, an integrated manufacturer of photovoltaic products, raised US\$31.0 million funding led by China Equity Links SAS and NewMargin
- Daimler AG has reached consensus with Chrysler over Chrysler's exit from Beijing Benz-DaimlerChrysler Automotive joint venture
- China Security & Surveillance Technology continues its buying spree and acquired 3 domestic security and surveillance companies for US\$39.1 million
- Goldman Sachs acquired a minority stake of NVC Lighting for US\$37.0 million
- Sinopec International acquired 100.0% of Tanganyika Oil Co. for US\$1.9 billion

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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 directly, or through its affiliates, 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 assets.

The purpose of this report is to provide a summary of notable China Industrial M&A and private placement activities in the third quarter of 2008, 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

During the third quarter of 2008, however there were no notable transactions in the HVAC, Industrial Controls and Power Generation / Distribution sectors.

## Alternative Energy

Chinese wind turbine castings maker Wuxi Qiaolian Wind (Group) Inc. raised US\$70.0 million in Series A funding from Avenue Capital, NBP Asia, iD Tech Ventures and China Environment Fund. Qiaolian Wind currently produces components for wind power equipment with capacity from 1.5MW to 2.4 MW, and the annual production capacity is about 3,000 sets. The proceeds will be used for R&D and marketing in the overseas markets.

Guangdong Mingyang Electric Group, a wind power turbine manufacturer, raised its pre-IPO financing of US\$142.9 million. The funding will be used for R&D and expansion of production capacity.

Zhejiang Jinggong Science & Technology Co., Ltd. acquired 5.6% stake in Jinggong Shaoxing Solar Energy Technology Co., Ltd., a solar cells manufacturer and wholesaler, for US\$5.6 million. The acquisition will enable Zhejiang Jinggong Science & Technology to strengthen its solar energy photovoltaic machinery business.

ET Solar Group Ltd., an integrated manufacturer of photovoltaic products, raised US\$31.0 million funding led by China Equity Links SAS and NewMargin. Other investors include Development Principles Fund, China Environment Fund, CeYuan Ventures, Partners Group, and L. Ferrari Overseas Investments. The proceeds will be used for expansion plans as well as investment in alternative energy sources.

### Selected Alternative Energy Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Sep 10, 2008	Sinoma Science & Technology Co., Ltd. [SZSE:002080]	Sinoma-tech Wind Power Blades Co.	2.4	9.4	25.1	Engages in the production and sale of wind power blades
Aug 30, 2008	Avenue Capital, NBP Asia, iD Tech Ventures, China Environment Fund	Wuxi Qiaolian (Group) Inc.	70.0	NA	NA	Engages in the production of wind power equipments and spare parts
Aug 29, 2008	NA	Guangdong Mingyang Electric Group	142.9	NA	NA	Engages in the research and development, production and sale of wind power equipment

**Selected Alternative Energy Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Aug 12, 2008	Zhejiang Jinggong Science and Technology Co., Ltd. [SZSE:002006]	Jinggong Shaoxing Solar Energy Technology Co., Ltd.	5.6	100.0	5.6	Engages in solar energy polycrystalline silicon growth and silicon wafers production
Aug 11, 2008	Xin Jiang Hui Tong Group Co., Ltd. [SZSE:000415]	Xinjiang Huitong Wind Power Equipment Co., Ltd.	1.0	15.0	6.7	Engages in the production and sale of wind power equipment
Jul 18, 2008	China Equity Links SAS, NewMargin Ventures, Ceyuan Ventures, China Environment Fund, Development Principles Group, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV, Partners Group Private Equity	ET Solar Group Ltd.	31.0	NA	NA	Engages in the production and sale of upstream and downstream solar applications

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

**Automotive Parts/Automotive**

SMRT Corp., a multi-modal public transport services provider in Singapore, acquired 49.0% of Shenzhen Zona Transportation Group Co. for US\$63.2 million. This deal represents a significant overseas investment by SMRT and the beginning of a strategic relationship to deliver efficient transport services in Shenzhen and beyond in China. Zona's existing fleet includes 803 public buses, 142 chartered and tourist coaches, 78 long haul coaches, 830 taxis and 260 leased cars in Shenzhen. Zona will become an associate company of SMRT. As per SMRT's company guidance, the acquisition will be neutral to SMRT's FY2009 earnings.

MidAmerican Energy, a Berkshire Hathaway subsidiary, announced that it will invest US\$230.8 million to acquire 225 million new shares in BYD Co. Upon closing, MidAmerican will own 9.9% stake of BYD. This partnership will enable the companies to integrate their respective technologies to develop more efficient and eco-friendly products.

German automaker, Daimler AG, have reached agreement with Chrysler over Chrysler's exit from Beijing Benz-DaimlerChrysler Automotive, a joint venture between Daimler, Chrysler and Beijing Automotive Industry Holding. Daimler will acquire an additional 10.6%, which effectively brings Daimler's total shareholding to 50.0%. Beijing Auto will own the remaining 50.0% stake. Daimler has reportedly paid US\$1.0 billion compensation for Chrysler's withdrawal.

American International Group acquired 13.5% of Chongqing Lifan Industry (Group) for US\$90.0 million, making it the second largest shareholder. Chinese regulators approved the deal in June, before AIG publicly disclosed its financial difficulties. AIG had originally contemplated acquiring a 25.0% stake when this deal was announced in February 2008.

**Selected Automotive Parts/Automotive Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Sep 30, 2008	SMRT Corp. Ltd. [SGX:S53]	Shenzhen Zona Transportation Group Co., Ltd.	63.2	49.0	129.0	Shenzhen-based operator of public buses, coaches, taxi services and car rental business

**Selected Automotive Parts/Automotive Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Sep 29, 2008	PPG Industries Inc. [NYSE: PPG]	Bonny Coating-Made Co., Ltd.	NA	100.0	NA	Assets of the automotive refinishing coatings business, which includes customer list, all brands, all trademarks and 40 employees
Sep 26, 2008	MidAmerican Energy Company	BYD Co. Ltd. [SEHK: 1211]	230.8	9.9	2,100.0	Manufactures rechargeable batteries, handset components and automobile parts in China
Sep 1, 2008	SPX Service Solutions	Autoboss Tech. Inc.	NA	100.0	NA	Shenzhen-based manufacturer of automotive diagnostic tools and equipments
Aug 27, 2008	Daimler AG [XTRA: DCX]	Beijing Benz-DaimlerChrysler Automotive Co., Ltd.	NA	10.6	NA	Manufactures cars and off-road vehicles
Aug 26, 2008	Dah Chong Hong Holdings Limited [SEHK: 1828]	49% of Guangzhou Guangbao and 27.5% of Guangzhou Junjia	18.5	NA	NA	Guangzhou Guangbao sells and services Toyota branded vehicles Guangzhou Junjia sells and services Lexus brand vehicles
Aug 20, 2008	Kayaba Industry Co. Ltd. [TSE: 7242]	Wuxi Top Absorber Co. Ltd.	NA	70.0	NA	Manufactures shock absorbers and hydraulic pressure dampers for motorcycles
Jul 18, 2008	AIG [NYSE: AIG]	Chongqing Lifan Industry (Group) Co., Ltd.	90.0	13.5	666.7	China's largest privately owned motorcycle and automobile manufacturer

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

**Components**

Hony Capital invested US\$14.3 million in Shanghai Liancheng (Group), a leading manufacturer of pumps and fluid transfer equipments. LianCheng's extensive client portfolio ranges from automotive to industrial clients worldwide.

**Selected Components Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Sep 12, 2008	Siemens China Automation and Drives Group	Shanghai APT Co., Ltd.	NA	100.0	NA	Develops and manufactures low voltage components and industrial automation products
Sep 2, 2008	Hony Capital	Shanghai LianCheng (Group) Co.	14.3	NA	NA	Manufactures pumps, valves and fluid transfer equipments and electronic control systems
Jul 14, 2008	Lite-On Electronics (HK) Ltd.	Suzhou Li Shin Electronic Co. Ltd.	18.0	100.0	18.0	Manufactures electronic parts such as transformers for computers, power converters and power supply equipment

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

## Fire, Safety & Security

China Security & Surveillance Tech. ("CSST") announced the acquisition of 3 Chinese security and surveillance companies for the sum of US\$39.1 million. The acquisition of Shenzhen Coson will extend CSST's consumer product line. The acquisition of DIT further adds to the consumer product range and brings new overseas distribution channels. The acquisition of Skyrise adds digital and IP security videophone enabled solutions to CSST. CSST does not anticipate further acquisitions for 2008 and intends to focus on integrating various acquisitions.

### Selected Fire, Safety & Security Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Aug 1, 2008	China Security & Surveillance Technology, Inc. [NYSE:CSR]	Shenzhen Coson Electronic, DIT Digital Co. and Shenzhen Skyrise Technology Co.	39.1	100.0	39.1	Manufactures and sells security equipment and products

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

## Machinery & Equipment

NVC Lighting closed its third round of financing and raised US\$37.0 million from Goldman Sachs. NVC has historically grown 80.0% annually, while the rest of the lighting industry only grew 20.0% annually. NVC is expecting to reach US\$588.2 million (RMB4.0 billion) of revenue for 2008. This deal marks Goldman Sachs' first foray into China's lighting market. Upon the close of this transaction, Goldman Sachs will become the third largest shareholder behind the company's management and Softbank. NVC has previously raised two financing rounds from Softbank, US\$22.0 million in 2006 and US\$10.0 million earlier 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)
Sep 28, 2008	Goldman Sachs Group, Merchant Banking Division	NVC Lighting Investments Holdings Ltd.	37.0	NA	NA	One of China's largest designers and manufacturers of lighting fixtures and related products
Aug 28, 2008	Joy Global, Inc. [NasdaqGS:JOYG]	Wuxi Shengda	22.0	100.0	22.0	Manufactures longwall shearing machines primarily for mining companies
Aug 7, 2008	Sino-Environment Clean Power Technology Pte. Ltd.	Fujian Weidong EPT Co., Ltd.	42.0	40.0	105.0	Offers dust-elimination applications for electro-static technology
Jul 24, 2008	Hexagon AB [OM:HEXA B]	Shenzhen Serein Precision Machinery Co., Ltd.	NA	100.0	NA	Produces a range of advanced precision measuring instruments
Jul 4, 2008	Legend Capital	Shanxi Yuci Guolian Steel Pipe Co., Ltd.	21.4	25.0	85.6	Produces welded line pipes

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

**Materials, Chemicals & Plastics**

Sinopec International Co. acquired 100.0% of Tanganyika Oil Co. for US\$1,942.4 million. Tanganyika owns interest in Oudeh oil block comprising of 59 wells and Tishrine and Sheikh Mansour oil fields consisting of 72 wells in Syria. During the first half of 2008, Tanganyika's average gross field production was 16,670 barrels of oil per day.

Olympus Capital Holdings invested US\$100.0 million to acquire a minority stake in Zhongwang International Group, the largest aluminum parts supplier for the transportation industry in Asia. Zhongwang will use the proceeds to expand both the domestic and overseas markets and seek potential acquisition targets for vertical integration.

The Carlyle Group invested US\$87.0 million to acquire a minority stake of Sinorgchem (Group), the largest rubber antioxidant producer in China. Sinorgchem plans to use the new funding to strengthen its market position and expand into overseas markets.

**Selected Materials, Chemicals & Plastics Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Sep 25, 2008	Sinopec International Co., Ltd.	Tanganyika Oil Co. Ltd. [TSX:TYK]	1,942.4	100.0	1,942.4	Explores, develops and operates oil and gas properties in the Syrian Arab Republic
Sep 15, 2008	MonArc Corporation [OTCPK:MONA]	Hubei Chuguan Industry Co., Ltd.	NA	100.0	NA	Provides petroleum and chemical storage services
Sep 5, 2008	Xinwen Mining Group Co., Ltd.	Teresa Coal Exploration Permits from Linc Energy Pty. Ltd. [ASX:LNC]	1,211.4	100.0	1,211.4	Has a permit for coal exploration in Queensland, Australia
Aug 27, 2008	PetroChina Co. Ltd. [SEHK:857]	CNPC Hong Kong Ltd. [SEHK:135]	973.3	51.9	1,875.3	Explores and produces crude oil and natural gas in the PRC, South America, central Asia, south east Asia, and the Middle East
Aug 21, 2008	China Resources Logic Ltd. [SEHK:1193]	China Resources Gas Ltd.	489.1	100.0	489.1	Sells and distributes liquid natural gas (LNG) and liquid petroleum gas (LPG)
Aug 19, 2008	Olympus Capital Holdings Asia	Zhongwang International Group	100.0	NA	NA	Manufactures aluminum parts for railway, shipping and aviation industries
Aug 12, 2008	Zijin Mining Group Co. Ltd. [SEHK:2899]	Qinghai West Copper Mining Co., Ltd.	125.8	40.0	314.5	Engages in mining and exploration of copper
Jul 13, 2008	APAC Resources Ltd. [SEHK:1104]	Lan Ping Xian Wei Yuan Mining Co., Ltd.	153.9	49.0	314.0	Engages in iron ore mining and production of iron ore materials
Jul 7, 2008	The Carlyle Group	Sinorgchem (Group) Co.	87.0	NA	NA	Designs and produces rubber antioxidants used in the production of tires, shoes and other rubber products

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

**Steel**

General Steel Holdings, a leading non-state owned Chinese steel products producer, announced that it will create a joint venture by acquiring 80.0% of Yantai Steel Pipe Co with Laiwu Iron & Steel Group holding the remaining 20.0%. The joint venture will have production capacity of 500,000 – 600,000 tons annually and will focus on producing oil pipes (tubes), boiler pipes (tubes) and hydraulic pipes (tubes).

**Selected Steel Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Sep 26, 2008	Angang Steel Co. Ltd. [SEHK:347]	Tianjin Tiantie Metallurgical Group Co., Ltd.	277.9	50.0	555.8	Produces raw steel products such as: pig iron, merchant bars and narrow strips
Sep 1, 2008	General Steel Holdings, Inc. [NYSE:GSI]	Yantai Steel Pipe Co., Ltd.	NA	80.0	NA	Manufactures seamless steel pipes and tubes in Shandong Province

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

**Water Treatment**

Kemira, a Finland-based water treatment chemical company, acquired 100.0% of Zibo Huaqing Water Purifying Products Co. for an undisclosed sum. Kemira plans to expand Zibo Huaqing's production capacity and broaden its customer base from industrial to the municipal sector. Zibo Huaqing currently employs 50 staffs.

**Selected Water Treatment Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Sep 3, 2008	Kemira Group [HLSE:KRA1V]	Zibo Huaqing Water Purifying Products Co., Ltd.	NA	100.0	NA	Zibo-based producer of water treatment chemicals

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

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