



China Industrial M&A Quarterly

1st Quarter 2009

Quarter in Review

Due to the ongoing economic downturn, VC/PE firms remained cautious in the first quarter and stayed on the sidelines. Only two notable transactions were led by VC/PE firms in this quarter, compared to six notable deals in the 4th quarter of 2008.

By contrast, many industrial players took active initiatives to capture the opportunity to consolidate the market by acquiring undervalued assets. The release of the "China Industry Revival Plan" by the Chinese government is expected to have profound influence on all relevant industries.

Overall, we expect "deep-pocketed" strategic investors to continue to be active in taking advantage of lowered valuations and making strategic acquisitions.

Deal Highlights

- Thin-film and crystalline silicon photovoltaic cell manufacturer, Chint Solar, raised US\$50.0 million from Shanghai Lianhe Investment and Cybernaut to expand its production capacity
- Suntech Power Holdings acquired a minority stake in Asia Silicon, a polysilicon producer based in Qinghai, for US\$8.1 million to secure low-cost polysilicon supplies
- Asia Mezzanine Capital Group invested US\$40.0 million in Anhui Yingliu Electromechanical, a manufacturer of steel components. The capital will be used to expand the company's production capacity and to refinance its debt
- Huaxin Cement raised US\$606.2 million via a PIPE. The capital will be used to fund the construction of 11 new clinker plants spreading across six provinces, which will increase its annual production capacity by 15.9 million tons of cement and 13.1 million tons of clinker

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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 targets.

The purpose of this report is to provide a summary of notable China Industrial M&A and private placement activities in the first 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 first quarter of 2009, there were no notable transactions in the HVAC and Industrial Controls sectors.

Alternative Energy

Chint Solar, a solar cell manufacturer, raised US\$50.0 million from Shanghai Lianhe Investment and Cybernaut. Chint Solar was founded in 2006 as a subsidiary of the Chint Group, China's leading electrical and power conglomerate. The company's main product line features both thin film and crystalline silicon photovoltaic cells and modules. The proceeds will be mainly used to expand its production capacity.

Suntech Power, one of the world's leading manufacturers of photovoltaic cells and modules, acquired a minority stake in Asia Silicon for US\$8.1 million. Asia Silicon is an independent polysilicon producer based in Qinghai and targets to reach 2,000 metric tons of annual production capacity by mid-2009. Through the strategic investment, Suntech will cement its relationship with Asia Silicon and secure low-cost polysilicon supplies.

Yingli Energy, which is a wholly-owned subsidiary of the photovoltaic product manufacturer Yingli Green Energy Holding Company Limited, entered into a credit agreement for a three-year loan facility with a fund managed by ADM Capital. ADM Capital will provide Yingli Energy with up to US\$80.0 million, which will be mainly used to complete its production capacity expansion plan.

Selected Alternative Energy Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Mar 31	Huaneng Power International Inc. [SEHK: 902]	Huaneng Qidong Wind Power Generation Co., Ltd.	15.1	65.0	23.2	Engages in developing and operating wind power projects
Mar 9	Shanghai Lianhe Investment Co., Ltd.; Cybernaut	Chint Solar (Zhejiang) Co., Ltd.	50.0	NA	NA	Engages in the production of crystalline silicon solar cells and thin-film solar cells
Feb 17	Suntech Power Holdings Co., Ltd. [NYSE: STP]	Asia Silicon Co., Ltd.	8.1	NA	NA	Engages in the marketing and distribution of silicon and polysilicon
Feb 4	Caliber Energy Inc. [OTCPK: CLBN]	Guangzhou Jianianxiang Co., Ltd.	NA	100.0	NA	Produces and distributes electricity from wind energy

Selected Alternative Energy Transactions

Jan 26	ADM Capital	Yingli Energy (China) Co., Ltd.	80.0	NA	NA	Operates as a vertically integrated photovoltaic product manufacturer
Jan 18	Jiangsu High-tech Investment Group	Alcom Solar Equipment Co., Ltd.	11.4	NA	NA	Produces special aluminum frames used for solar panels
Jan 15	Huadian Power International Corporation Limited (SEHK: 1071); China Huadian Corp.; China Huadian Engineering Co., Ltd.; Huadian Energy Co., Ltd.; Guizhou Wujiang Hydropower Development Corporation Ltd.	China Huadian New Energy Development Co. Ltd	29.3	NA	NA	Engages in the wind farm development projects

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

Automotive Parts/Automotive

FAW-Volkswagen Automotive acquired 100% stake of Chengdu FAW from FAW Group. By operating Chengdu FAW as Volkswagen China's third plant, FAW VW will boost its capacity further and its presence in southwestern China.

Selected Automotive Parts/Automotive Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Mar 26	Great Wall Motor Company Ltd. (SEHK: 2333)	Baoding Smart Automobile Accessories Co., Ltd.	NA	4.7	NA	Engages in the manufacturing and sale of the automobile parts and components
Mar 25	Anhui Tianhe Machinery Co., Ltd.	Anhui Tianyu Machinery Co., Ltd.	7.3	100.0	7.3	Manufactures and distributes motor vehicle parts and equipment
Mar 10	FAW-Volkswagen Automotive Co., Ltd.	Chengdu FAW Co., Ltd.	73.4	100.0	73.4	Manufactures and markets passenger cars
Jan 21	Beiqi Foton Motor Company Limited (SHSE: 600166)	Foshan Nanhai Foton Motor Co. Ltd., SUP Business	3.6	100.0	3.6	Engages in the production of motor vehicles

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

Components

Asia Mezzanine Capital Group invested US\$40.0 million in Anhui Yingliu Electromechanical which manufactures steel components of construction, mining and energy industry-related equipment. The capital will be used to expand the company's production capacity and to refinance its debt. Anhui Yingliu Electromechanical serves customers including Caterpillar, Emerson, Tyco, Joy Global, Schlumberger and Nabors Industries, as well as other Chinese equipment manufacturers.

Selected Components Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Feb 15	Zhejiang Great Southeast Packaging Co., Ltd. (SZSE:002263)	Ningbo Great Southeast Wan Xiang Science & Technology Co., Ltd.	48.3	75.0	64.4	Engages in the manufacturing of biaxial oriented polypropylene (BOPP) capacitor films
Feb 4	Fortuna International Holdings Ltd. (SEHK:530)	Guangzhou Singular Gold Electronics Co., Ltd	55.5	100.0	55.5	Engages in the processing of printed circuit boards for telecommunication and multimedia products
Jan 16	Asia Mezzanine Capital Group	Anhui Yingliu Electromechanical Co., Ltd.	40.0	NA	NA	Engages in the research and development, sale, casting, forging, and machining of parts

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

Fire, Safety & Security

The deal volume in the Fire, Safety & Security sector was light. Changyuan Group, a Shanghai-listed manufacturer of heat-shrinkable products and power cable accessories, raised its interest to 87.45% from 82.45%, by acquiring a further 5% stake in Zhuhai Contron Electric Security Technology, an electric security system manufacturer.

Selected Fire, Safety & Security Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Feb 11	Changyuan Group Ltd. (SHSE: 600525)	Zhuhai Contron Electric Security Technology Co., Ltd.	2.1	5.0	41.0	Manufactures electric security systems

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

Machinery & Equipment

Transactions took place in the first quarter were relatively small in size. State-owned China General Technology (Group) Holding, a technology and equipment importer, acquired an unknown minority stake in Harbin Measuring & Cutting Tool Group which was founded in 1955 and the only one enterprise that was able to manufacture measuring and cutting tools in the 156 Key Projects during China's First Five-Year-Plan period.

Selected Machinery & Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Mar 30	China General Technology (Group) Holding Limited	Harbin Measuring & Cutting Tool Group	4.8	NA	NA	Manufactures measuring and cutting tools
Mar 26	Singapore Technologies Kinetics Ltd.	Zhenjiang Huatong Aran Machinery Co., Ltd.	1.1	59.0	1.9	Produces road construction and maintenance equipment
Jan 16	Anhui Heli Co., Ltd. (SHSE: 600761)	Anhui Heli Industrial Vehicle Import & Export Co., Ltd.	1.5	35.0	4.4	Operates as a forklift manufacturer

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

Materials, Chemicals & Plastics

Huaxin Cement, in which the world's second-biggest cement maker Holcim holds a 39.9% stake, planned to raise up to US\$606.2 million by issuing no more than 200 million new shares to as many as 10 of its existing shareholders, including its largest shareholder Holcim. The capital raised will be used to fund the construction of 11 new clinker plants spreading across six provinces, which will increase its annual production capacity by 15.9 million tons of cement and 13.1 million tons of clinker.

Sichuan Hongda, a chemical and mining firm, acquired 9% stake of Yunnan Jinding Zinc from its parent, Sichuan Hongda Group. Yunnan Jinding has a production capacity of 120,000 metric tons of refined zinc and boasts of exploration and mining rights for three mines estimated to be worth US\$1.4 billion. The acquisition will further reinforce Sichuan Hongda's leading position in the zinc sector.

China National Building Material Company raised US\$276.1 million via a PIPE transaction. The proceeds will be used for the repayment of debt, the acquisitions and investments, and for the general corporate and working capital needs.

Selected Materials, Chemicals & Plastics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Mar 30	Zhongjiang Hong Kong and China Gas Company Limited	Sichuan Huachuan Gas Company Limited	37.0	100.0	37.0	Constructs, maintains, and operates gas pipelines network
Mar 27	China Petroleum & Chemical Corp (SEHK: 386)	Sinopec Sales & Industrial Company, Eight Oil Product Pipeline Project Divisions	112.9	100.0	112.9	Offer oil and gas transfer services
Mar 14	NA	Huaxin Cement Co., Ltd. (SHSE: 900933)	606.2	NA	NA	Engages in the manufacturing and sale of cement, cement clinker, and paper-cloth bags
Feb 10	Sichuan Hongda Company Limited (SHSE: 600331)	Yunnan Jinding Zinc Co., Ltd.	135.7	9.0	1507.7	Engages in the mining, exploration and production of zinc
Feb 5	NA	China National Building Material Company Limited (SEHK: 3323)	276.1	NA	NA	Produces cement, lightweight building materials, and glass fiber and FRP products
Jan 26	Qingtongxia Aluminium Holding Co., Ltd.	Alcan Ningxia Aluminium Company Limited	124.1	50.0	248.1	Engages in the manufacturing of aluminum related products
Jan 16	Beijing Jingneng Thermal Power Co., Ltd. (SHSE: 600578)	Inner Mongolia Yitai Jinyue Suancigou Mining Ltd.	58.5	9.0	649.9	Engages in coal mining

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

Steel

Gan Su Jiu Steel Group Hongxing Iron & Steel acquired Yuzhong Iron and Steel and some steel related assets for US\$1,213.2 million. The assets include Jiuquan Iron & Steel's Jingtieshan Mine, a 2 million-ton coking facility, a 2 million-ton hot-rolling facility, as well as a 1.5 million-ton cold-rolling facility.

Baosteel Group Corporation and Hangzhou Iron & Steel Group respectively acquired 56.2% and 20.0% stake in Ningbo Iron & Steel, which has annual steel production capacity of 4 million tons. In active response to "Steel Industry revival plan", the transaction has a profound influence on enhancing the competitiveness of Ningbo Iron &

Steel, driving the development of steel industry in East China, promoting the cross-regional consolidation of steelmakers in China and elevating the general competitiveness of Chinese steelmakers.

Selected Steel Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Mar 6	Gan Su Jiu Steel Group Hongxing Iron & Steel Co., Ltd. (SHSE:600307)	Jiuquan Steel Group Yuzhong Iron and Steel Co. Ltd. and some steel related assets	1,213.2	100.0	1,213.2	Operates as a steel mill
Mar 1	Shanghai Baosteel Group Corporation	Ningbo Iron & Steel Co., Ltd.	295.4	56.2	526.1	Manufactures steel
Feb 27	Hangzhou Iron & Steel Group Company	Ningbo Iron & Steel Co., Ltd.	105.2	20.0	526.1	Manufactures steel
Feb 10	Babson Capital Management LLC	Yingliu International Holdings Limited	15.0	NA	NA	Manufactures high-precision cast steel parts and components

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

Power Generation/Distribution

Hongkong Electric Holdings, a power generation and transmission company, acquired 100% stake of Outram, a subsidiary of Cheung Kong Infrastructure Holdings, for US\$732.6 million. Outram owns three power plants by holding 45% stake in each, including Zhuhai power plant, Jinwan power plant and Jilin Siping power plant.

Selected Power Generation/Distribution Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Mar 4	SDIC Huajing Power Holding Co., Ltd. (SHSE:600886)	SDIC Electric Power Co., Ltd.	1100.5	100.0	1100.5	Owns and operates hydropower stations and thermal power plants
Mar 2	Huaneng Hulunbeier Energy Development Co., Ltd.	Manzhouli Shenergy Dakau Lake Thermal Power Co., Ltd.	23.7	47.8	49.6	Owns and operates thermal power plant
Feb 5	Hongkong Electric Holdings Ltd.	Outram Limited	732.6	100.0	732.6	Owns and operates power plants
Feb 4	Shanxi International Electric Power Group Co., Ltd.	Top Energy Company Ltd. Shanxi (SHSE:600780)	26.8	5.0	536.2	Engages in power generation and distribution

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

Water Treatment

Sino French Water Development, a local unit of Suez Environnement, acquired remaining 48% stake in Tianjin Sino French Jieyuan Water, a 52%/48% joint venture between Sino French Water Development and Tianjin Water Works Group, for US\$17.0 million. During the remaining operating period of 14 years, Suez Environnement will operate the Jieyuan Water Plant supplying 1 million inhabitants which represents one third of Tianjin downtown population with a daily capacity of 500,000 cubic meters.

Selected Water Treatment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Mar 17	Sino French Water Development Co., Ltd.	Tianjin Sino French Jieyuan Water Co., Ltd.	17.0	48.0	35.4	Operates in the water supply services sector
Feb 23	AE Cayman Limited	Huangshan Xiuning Fuda Wastewater Treatment Pte. Ltd.	1.0	60.0	1.6	Operates as a project company for the investment of a wastewater treatment Build-Operate-Transfer ("BOT") project

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

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