
China Industrial M&A Quarterly

2nd Quarter 2008

Highlights

- **Suntech Power Holdings acquired a minority stake in Jiangsu Shunda Semiconductor for US\$98.9 million**

Suntech and Shunda signed a 13 year wafer supply agreement, under which Shunda will supply Suntech specified volumes of silicon wafer annually.

- **Affinia Group acquired 85.0% of Longkou Haiment Machining for US\$49.3 million**

This transaction will significantly expand Affinia's global production capacity and market presence in China.

- **Tsinghua Science Park Venture invested US\$11.5 million in Hanbang Technology Corp.**

Proceeds from this Series A round will be used towards research and development and business expansion.

- **Morgan Stanley Private Equity and IFC each invested US\$50.0 million in China Flooring Holdings**

China Flooring will invest the proceeds from this pre-IPO round in the development of plantations in Jiangxi province, which will serve as a procurement source.

Hong Kong

Suite 3518 Jardine House
One Connaught Place
Central, Hong Kong
T +852 3752 2333
F +852 2295 3979

Beijing

Room 705, East Tower
Twin Towers
B12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022, China
T +86 (10) 8447 7398
F +86 (10) 8447 7396

Shanghai

5F Crystal Century Tower
567 Weihai Road, Jingan District
Shanghai 200040, China
T +86 (21) 6288 6555
F +86 (21) 6288 6585

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 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

However, during the second quarter of 2008, there were no notable transactions in the HVAC and Industrial Controls sectors.

Alternative Energy

Suntech Power Holdings Co., Ltd., one of the world's leading manufacturers of photovoltaic (PV) cells and modules, acquired a minority stake in Jiangsu Shunda Semiconductor Development Co., Ltd., a manufacturer of solar wafers, for US\$98.9 million. Through the investment, Suntech and Shunda signed a definitive thirteen-year silicon wafer supply agreement, under which Shunda will supply Suntech specified annual volumes of silicon wafers with a total volume of approximately 7GW from 2008 to 2020.

ET Solar Group, a Nanjing-based integrated manufacturer of photovoltaic products including ingot, wafer, module, and state-of-the-art dual-axis tracking systems with manufacturing facilities located in Taizhou, China, raised US\$19.0 million, from Tsinghua Venture Capital Management Co. The funding will be used for product R&D and the expansion of production capacity.

Selected Alternative Energy Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Jun 23	NA	China Sunergy Co. Ltd. [Nasdaq: CSUN]	50.0	NA	NA	Engages in the design, development, manufacture, and marketing of solar cells in China
May 27	Suntech Power Holdings Co. Ltd. [NYSE: STP]	Jiangsu Shunda Semiconductor Development Co., Ltd.	98.9	NA	NA	Offers mono-crystalline silicon ingots and wafers
May 16	China Wind Energy, Inc. [OTCBB: CWEY]	Harbin Sanye Wind Energy Technology Co., Ltd.	19.8	82.1	24.1	Engages in the production of variable pitch blades and other wind energy related products
May 1	Wuhan Linuo Solar Energy Group Co. Ltd. [SHSE: 600885]	Linuo Group, 100% of Jinan Linuo Glasswork, Shandong Linuo New Material and Solar Thermal Business	200.0	100.0	200.0	Engages in the solar thermal business

Selected Alternative Energy Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Apr 10	NA	LDK Solar Co.Ltd. [NYSE:LDK]	400.0	NA	NA	Engages in the manufacture and sale of multicrystalline solar wafers to the manufacturers of solar cells and solar modules in China
Apr 4	Tsinghua Venture Capital Management Co.	ET Solar Group Ltd.	19.0	NA	NA	Operate as an integrated solar application manufacturing company

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

Automotive Parts/Automotive

Affinia Group acquired 85.0% of Longkou Haimeng Machinery for US\$49.3 million, which will significantly increase Affinia's global production capacity and market presence in China.

Shanghai Bashi issued US\$1.4 billion of new shares to Shanghai Automotive Industry Corp ("SAIC") for acquiring SAIC's 31 auto parts manufacturing plants. This transaction is part of Chinese government's scheme to transfer state-controlled assets to the public domain in order to improve efficiency and transparency. Post this asset swap, Shanghai Bashi's business will shift from public transport and logistics leasing to manufacturing of automotive parts. The automotive parts segment alone generated approximately US\$150.7 million of profit for SAIC in FY2008. SAIC will become the new parent of Shanghai Bashi with 60.0% ownership.

Shanghai Volkswagen Automotive Co. acquired the remaining 50.0% stake in Fiat's Nanjing plant as part of Volkswagen's corporate strategy to expand production capacity serving China's surging demand. The acquisition enables Volkswagen to increase new model turnovers and to achieve its 1 million vehicle sales target for 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)
Jun 30	Affinia Group, Inc.	Longkou Haimeng Machinery Co., Ltd.	49.3	85.0	57.9	Manufactures and sells brake rotors, drums and related accessories for various vehicle types
Jun 24	Consortium ¹	Harbin Electric, Inc. [Nasdaq:HRBN]	49.5	19.0 ²	260.5	Manufactures and sells customized linear motors, automation controllers and other specialty motors for various vehicle types
Jun 23	Shanghai Bashi Industrial (Group) Co., Ltd. [SHSE:600741]	Shanghai Automotive Industry Corp.'s 31 Auto Parts Manufacturers	1,396.4	100.0	1,396.4	Manufactures, develops and sells automotive components such as: trimming, chassis, powertrain and air-conditioning
Jun 13	Lear Corp. [NYSE:LEA]	China New Trend Group Co., Ltd's Automotive Fabric Division	NA	75.0	NA	Produces and sells automotive interior fabric and related plastic products
May 23	Orchid Asia	Troitec Automotive Electronics Co., Ltd.	14.3	20.2	70.8	Develops and manufactures automotive engine management systems
Apr 9	Shanghai Volkswagen Automotive Co, Ltd.	Nanjing Fiat Automobile Co. Ltd.	NA	50.0	NA	Manufactures and sells automotives under brand names such as Palio, Speedgear and Weekend

⁽¹⁾ Abax Capital, Alder Capital, Ardsley Partners, Atlas Master Fund, Balyasny Asset Management, Black River Asset Management, Chestnut Ridge Partners, GLG Partners, Guerrilla Capital, Heller Capital, Hua – Mei 21st Century Partners, Hudson Bay Capital, Octagon Capital, Pacific Asset Partners, Peguot Capital, Straus Capital, UBS O' Connor LLC and Whitebox Advisors.

⁽²⁾ Estimated based on deal announcement.

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

Components

Gates Electronics announced that it has acquired 100.0% of Fujian Dongyuan via issuance of new shares, which would result in a substantial acquisition or reverse takeover. This acquisition enables Gates Electronics to diversify from its low margin semiconductor trading business into higher margin waste gas treatment business in China.

Selected Components Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Jun 12	Fujian Dongyuan Environment Protection Co., Ltd.	Gates Electronics Ltd. [SGX:5EM]	111.4	100.0	111.4	Trades various electronic components such as LCD panels and chipsets for wireless handset

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

Fire, Safety & Security

Hanbang Technology closed its Series A round with funding from Tsinghua Science Park Venture Capital. The funding will be used towards research and development and business expansion.

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 2	Tsinghua Science Park Venture Capital	Hanbang Technology Corp. Ltd.	11.5	NA	NA	Manufactures computer-based hardware compression digital video recording capture cards and systems

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

Machinery & Equipment

MTS Systems, supplier of mechanical testing equipments, announced that it has acquired 100.0% of Shenzhen-based SANS Group, a leading manufacturer of testing equipments and solutions in China. This deal will help MTS broaden its product and service offerings in China and other strategic overseas markets. SANS Group generated approximately US\$25.0 million of sales in FY2007.

Regal Beloit, maker of power generation and motion control equipments, announced that it has acquired 100.0% of Wuxi Hwada Motor and Wuxi New Hwada Motor for US\$44.1 million. Both target companies manufacture electric motors for applications such as compressors and pumps. Approximately 50.0% of revenue is generated from sales in China. This deal is expected to be accretive to Regal Beloit's FY2008 earnings.

Selected Machinery & Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Jun 26	Shenzhen GTJA Investment Group	Shandong Mining Machine Group	2.8	3.4	82.3	Manufactures coal mining and construction machinery
Jun 24	Zhengzhou Yunshan Equity Invest. Fund	Zhengzhou Dafang Bridge-Machine	4.4	30.0	14.7	Develops special machineries for high-speed railway, highway and ship construction

Selected Machinery & Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Apr 29	MTS Systems Corp. [Nasdaq:MTSC]	SANS Group	NA	100.0	NA	Manufactures and distributes static tension and compression testing machines
Apr 25	Regal-Beloit Corp. [NYSE:RBC]	Wuxi Hwada Motor Co. Ltd. & Wuxi New Hwade Motor Co.	44.1	100.0	44.1	Manufactures electric motors for industrial applications such as compressors and pumps
Apr 25	Jackson Products Inc.	Changzhou Shine Science and Tech. Co. Ltd.	NA	70.0	NA	Manufactures automatic welding helmets
Apr 7	Groupe Carbone Lorraine [ENXTPA:CRL]	Xianda	NA	100.0	NA	Manufactures advanced equipment for steel, chemical and pharmaceutical industries
Apr 1	Metso Corp. [HLSE:MEO1V]	Valmet-Xian Paper Machinery Co. Ltd.	NA	26.7	NA	Engages in the production of paper manufacturing machines

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

Materials, Chemicals & Plastics

Wuhan Iron and Steel Co. acquired 11.6% of Pingdingshan Coal (Group), the holding company of the Shanghai-listed Pingdingshan Tianan Coal Mining, for US\$220.5 million, and effectively became the second largest shareholder of the target company. This transaction enables Wuhan Iron and Steel to better manage and control upstream coal supplies, which is a key raw input for the steelmaker.

Morgan Stanley Private Equity and IFC each invested US\$50.0 million in Guangdong-based China Flooring Holding, a leading manufacturer of wooden flooring. The proceeds from this pre-IPO round will be invested in the development of plantations in the Jiangxi province, which will serve as a procurement source for China Flooring. The company is expecting to list on Hong Kong Stock Exchange in the second half of 2008.

Yunnan Chihong Zinc & Germanium, China's 5th largest zinc producer, acquired a 40.0% stake in a smaller rival, Yunnan Jinding Zinc, for US\$1.5 billion. Market consolidation continues as the investment theme in China's materials sector.

Selected Materials, Chemicals & Plastics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Jun 15	Shougang Holding (Hong Kong) Ltd.	Fushan International Energy Group Ltd. [SEHK:639]	265.4	10.8	80.0	Produces and sells coal and coke products in China
Jun 11	Wuhan Iron and Steel Co., Ltd. [SHSE:600005]	Pingdingshan Coal (Group) Co., Ltd.	220.5	11.6	1,900.9	Engages in coal exploration and mining
Jun 10	Morgan Stanley Private Equity, IFC	China Flooring Holding Co Ltd.	100.0	NA	NA	One of the largest wooden flooring manufacturers in China
May 8	China National Petroleum Corporation	Nippon Oil Corp., Osaka Refinery in Takaishi	NA	49.0	NA	Engages in processing and refining of crude oil
Apr 24	Temasek	Henan Nanyang Tongbai Anpeng Trona Mine Co.	50.0	20.0	250.0	Engages in the mining, exploration and production of trona

Selected Materials, Chemicals & Plastics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
		Ltd.				
Apr 16	Yunnan Chihong Zinc & Germanium Co., Ltd. [SHSE: 600497]	Yunnan Jinding Zinc Co., Ltd.	11,447.1	40.0	3,617.8	Engages in the mining, exploration and production of zinc
Apr 18	Sichuan Hongda Company Limited [SHSE: 600331]	Yunnan Jinding Zinc Co., Ltd.	3343.7	9.0	3,818.9	Engages in the mining, exploration and production of zinc
Apr 10	China National Gold Group Corp.	Jinshan Gold Mines Inc. [TSX: JN]	2215.7	43.0	501.6	Engages in the acquisition, exploration, and development of mineral properties in China

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

Power Generation/Distribution

AEI, a global energy infrastructure operator, acquired 50.0% of Luoyang Sunshine Cogeneration Co. for an undisclosed consideration. Luoyang is the sole provider of steam and heat to residential industrial end users in the Luoyang New District. This deal is AEI's first foray into China and enables AEI to build its China business based on Luoyang's established platform.

Selected Power Generation/Distribution Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Jun 18	AEI	Luoyang Sunshine Cogeneration Co., Ltd	NA	50.0	NA	Operates a 270 megawatt generation power plant in Hainan Province

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

Steel

Eurasian Natural Resources made its first acquisition in China by acquiring 50.0% of Xinjiang Tuoli Taihang Ferro-Alloy Co. for US\$14.9 million. Xinjiang Tuoli is one of China's largest ferrochrome plants with annual capacity of 120,000 tonnes of high carbon ferrochrome. This transaction will help Eurasian strengthen its market position as the world's largest ferrochrome producer.

Selected Steel Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
May 8	Eurasian Natural Resources Corp Plc [LSE: ENRC]	Xinjiang Tuoli Taihang Ferro-Alloy Co. Ltd.	14.9	50.0	29.8	One of China's largest ferrochrome plants
May 6	Jinling Aodong Medicine Industry Group Co., Ltd [SZSE: 000623]	Tong Steel Group Dunhua Tadong Mining Co., Ltd	44.2	30.0	147.2	Engages in the mining, production and sale of steel
Apr 7	Anben Iron and Steel Group	Lingyuan Iron and Steel Group Company Ltd.	NA	100.0	NA	Offers welded tubes, round steel, round bars and hot rolled strips

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

Water Treatment

Zhonghui Holdings issued US\$8.8 million of unsecured non-interest bearing note to Pacific Capital Investment, an UK-based boutique institutional fund. The proceeds will be used for general corporate and working capital purposes.

Selected Water Treatment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target(s)
Jun 2	Pacific Capital Investment Management Ltd.	Zhonghui Holdings Ltd. [SGX: Z04]	8.8	NA	NA	Designs, installs and constructs integrated waste treatment systems in China
May 26	iMerchants Ltd. [SEHK: 8009]	Ping Xiang City San He Lian Chuang Water Tech. Co.	7.1	80.0	8.9	Manufactures bio-hang membrane filtering materials and sells water treatment equipment

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

* * * * *

The material is a product of the Investment Banking Department of Cowen Latitude Asia ("Cowen Latitude"). Unless otherwise specifically stated, any views or opinions expressed herein are solely those of the Investment Banking Department of Cowen Latitude and may differ from the views and opinions expressed by Cowen Latitude's other departments or divisions of Cowen Latitude and its affiliates.

This material is provided for information only and is not intended as a recommendation or trading strategy or an offer or solicitation for the purchase or sale of any security or financial instrument. This material is not intended as a recommendation as to the merits of any proxy solicitation with respect to any transaction referenced herein. Cowen Latitude and its affiliates may have positions (long or short), effect transactions or make markets in securities or financial instruments mentioned herein (or options with respect thereto), or provide advice or loans to, or participate in the underwriting or restructuring of the obligations of, issuers mentioned herein.

The information contained herein is as of the date referenced above and Cowen Latitude does not undertake any obligation to update such information. All market prices data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Past performance is not indicative of future results. The investments discussed may fluctuate in price or value. Cowen Latitude Asia is a member of the Securities and Futures Commission. Copyright 2008 Cowen Latitude Asia. All rights reserved.