

ASIAN AUTOMOTIVE NEWSLETTER

SEPTEMBER 2010, ISSUE 64

A Quarterly newsletter of developments in the auto and auto components markets

Emerging Asia remains the world’s most significant growth region and this applies fully to the automotive sector. China is now the second largest market for many auto and auto components suppliers and in not a few cases, the largest. While many Chinese auto suppliers have their hands full in their home market, an increasing number are acquisitive globally and with increasing success rates. This trend both for Chinese as well as Indian acquirers will only grow.

Business Development Asia LLC (“BDA”) is an investment banking firm which specializes in Asian M&A. We have offices in all of the major Asian automotive markets, as well as London and New York. If you are interested in discussing any of the articles in this newsletter, please contact me directly.

Charles Maynard
Senior Managing Director,
cmaynard@bdallc.com

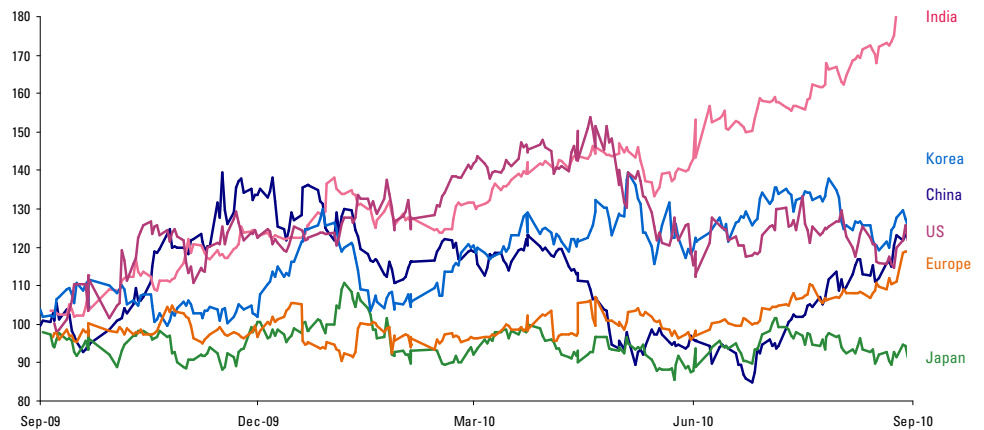
| CONTENTS | |
|----------------|---|
| CHINA | 1 |
| INDIA | 4 |
| JAPAN | 4 |
| KOREA | 5 |
| MALAYSIA | 5 |
| THAILAND | 5 |
| TAIWAN | 5 |

China

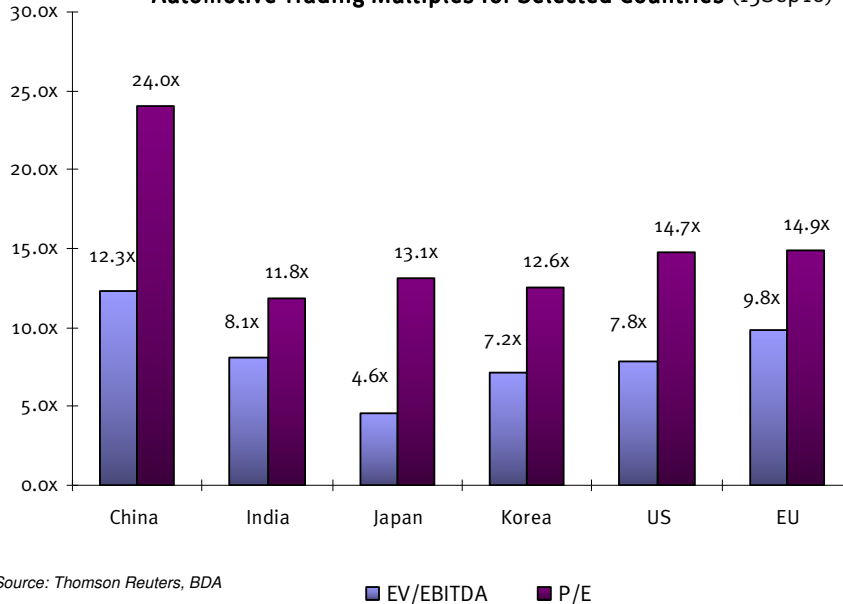
Anhui Jianghuai Automobile Corp (AJAC) plans to set up a 50:50 JV with **HK Capita**, a subsidiary of HK based **Hybrid Kinetic Group**, which is engaged in environmental products and natural resources. The JV plans to produce 1 million new energy vehicles in the next eight years for an estimated US\$4.4bn and an initial minimum investment of US\$295m. The JV would provide AJAC with advanced technologies to build environmentally friendly vehicles. *August 11, 2010*

Beijing Hyundai Motor, a JV in China between **Beijing Auto** and **Hyundai Motors**, has agreed to set up a third plant in the Beijing River Industrial Development Zone in Shunyi district, now making its China operations bigger than Korea. The plant is expected to boost Beijing Hyundai's capacity to more than 900,000 vehicles. Beijing Hyundai plans to build

Automotive Stock Indices for Selected Countries (12 months ending



Source: Thomson One, BDA

Automotive Trading Multiples for Selected Countries (15Sep10)

150,000 *Avante* compacts a year at the plant from May 2012, and is also considering its new *Grande* sedan at the plant. *July 26, 2010*

Chery Auto, a Chinese automaker, plans to build an auto plant in Jacarei City, Brazil, for an estimated US\$700m. The plant will have capacity of 170,000 units and will commence operations in 2013. *August 10, 2010*

Chery Auto plans to acquire a controlling stake in **Fabyka Samochodow Osobowych** (FSO), a Polish automaker. The deal would enable Chery to manufacture the *QQ* models locally in Poland and will also strengthen its existing production network in Europe. The terms of the proposed deal have not been disclosed. *July 09, 2010*

Daimler AG and **Beiqi Foton Motor** have agreed to set up a 50:50 JV in China to manufacture medium- and heavy-duty trucks for an estimated US\$937m. The JV

will have capacity of 100,000 vehicles and 45,000 heavy diesel engines. The trucks produced would bear Foton's *Auman* nameplate and use engine technology from Daimler's Mercedes-Benz unit. *July 16, 2010*

Faurecia SA, a majority owned unit of **PSA Peugeot Citroen**, acquired 18.75% of Chinese state-owned **Changchun Xuyang Industry Group**, a manufacturer of auto accessories, bumpers and car seat frames. As a result, two new JVs will be created, adding to the existing 60:40 JV between Faurecia and Changchun for complete seats. The interior systems JV will be 60:40 majority owned by Faurecia, and the acoustic modules and interior trim JV will be 40:60 minority owned by Faurecia. Terms of the transaction were not disclosed. *July 1, 2010*

FAW Jilin Automobile, a Chinese minivan producer and subsidiary of **FAW Group**, announced that it would build a new plant at the Automobile Industrial Park in Jilin. The new plant covers 700,000sqm and

includes stamping, welding, painting, general assembly, resin workshops and test grounds. The facility is scheduled to enter production by June 2012 at a capacity of 400,000 units. *August 02, 2010*

Ford Motor and its Chinese partner **Jiangling Motors Corp**, a Chinese commercial vehicles manufacturer, began building a new assembly plant in Nanchang for an estimated US\$300m. The new plant will commence production in 2012 and will have the capacity to build 300,000 vehicles a year for Ford. *July 19, 2010*

General Motors (GM) has agreed to construct an R&D facility, China Advanced Technical Center, to develop electric cars, lightweight materials and alternative fuel technology in Shanghai. The facility is expected to be completed by Q4 2011 and would include nine research labs and 62 test labs for new propulsion systems, gasoline alternatives, electrification systems, new engines and battery cells. The R&D facility will have over 300 designers, engineers, researchers and technicians. *July 19, 2010*

Great Wall Motors, a Chinese automaker, has started the construction of an auto parts industrial park in China for a total investment of US\$2.4bn. The park covers 4sq km and is expected to commence operation in H2 2013. The company plans to produce environmentally friendly high-end auto parts for its SUVs, sedans, pickups and other future models. *August 9, 2010*

Hyundai-Kia Automotive Group has signed a cooperation agreement with the municipal government of Rizhao to construct an auto components facility. The new plant will have a capacity of 800,000 sets of core auto parts and components, at

an estimated investment of US\$290m. The first phase of the new plant is expected to be completed by 2011. *July 20, 2010*

Pacific Century Motors, a **Tempo Group** subsidiary in China, agreed to acquire **Nexteer Automotive**, a US manufacturer of steering and driveline systems, from **General Motors (GM)**. The details of the deal have not been disclosed.

July 7, 2010

PSA Peugeot-Citroen and **Changan Automobile Group** have formed a 50:50 JV to manufacture passenger cars and light commercial vehicles in China at an estimated initial investment of US\$1.1bn. The new plant will have a capacity of 200,000 vehicles and engines.

July 9, 2010

Shanghai Shenhua Nuoyu Medical Auto, a Chinese ambulance manufacturer and subsidiary of **Brilliance Auto**, has formed a JV with Austria's **Dlouhy GmbH** in Shanghai to manufacture specialized and modified vehicles in China. The JV would give Brilliance access to Dlouhy's *Mercedes-Benz* chassis technology to manufacture advanced ambulances and also cooperate in localizing high-end modified vehicles, modified auto parts and components and core technologies.

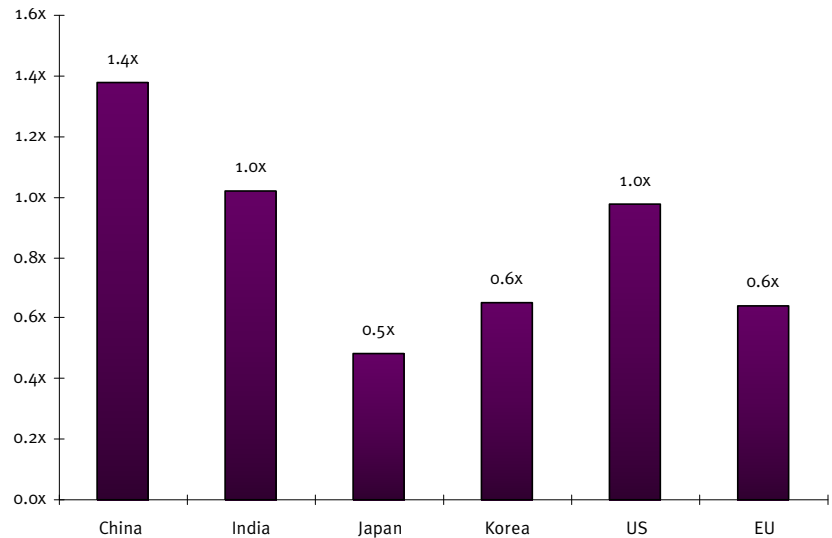
July 21, 2010

Shanghai Volkswagen Automotive Co, a JV between China's **SAIC Group** and **Volkswagen**, has agreed to build its fifth assembly plant in Jiangsu province. The new plant is expected to commence operations in 2012 and will have a capacity of 300,000 vehicles.

July 16, 2010

Southeast Motor (SEM), the Chinese partner of **Mitsubishi Motors**, announced that it plans to expand its capacity from

Automotive EV/Revenue for Selected Countries (15Sep10)



Source: Thomson Reuters, BDA

150,000 units to 300,000 units by 2013 to meet rising demand in the Chinese domestic market. SEM plans to introduce six models in the Chinese market from 2010 to 2012. In addition to Mitsubishi's small SUV *RVR* and *Colt* car, SEM will launch several self-developed models including the *V3* electric car, an economy car, a MPV and a SUV. *July 22, 2010*

Subaru and **Beijing Auto Industry Corp (BAIC)** and **Power Diversity Automobile Trade Group** have signed a preliminary agreement to establish a 50:25:25 JV in China. The JV plans to build a facility in Tangshan and produce 50,000 Subaru SUVs in a first phase, followed by Subaru sedans in a second phase. The project is expected to commence operations by mid-2012. *July 23, 2010*

Suzuki Motors is currently in discussions with **Volkswagen** and **SAIC Motor** to set up a three-way JV called **Suzuki Motor (China) Investment Co** in China. Volkswagen holds a 19.9% stake in Suzuki. *July 26, 2010*

Tata Motors plans to build an assembly plant in China in order to expand the supply capacity of its luxury car brand *Jaguar*, and enhance its sales network in China. Tata expects to sell 20,000 *Land Rovers* as well as 5,000 *Jaguars* in China by 2011 as well as launch an entry-level *Jaguar* car, a new sports car, a new *Range Rover* SUV and other hybrid models in the future.

August 5, 2010

ZAP, a US manufacturer of battery-powered vehicles, has agreed to buy 51% of Chinese automaker **Zhejiang Jonway Automobile Co** for US\$43m. ZAP and Jonway intend to manufacture battery powered SUVs for China's taxi industry and also market the SUVs in other countries.

July 9, 2010

Zotye, a Chinese car maker, has invested US\$280m in a new plant that would be able to produce 10,000 new energy vehicles per year. Zotye plans to produce five different electric cars, the *2008EV* and *5008EV* SUV models, and three other

models which are in advanced stages of development.

August 10, 2010

India

Ashok Leyland has acquired 26% of **Optare**, a British bus manufacturing company, for US\$8m. Ashok Leyland will have access to Optare's high-end technology, design and engineering capabilities whereas Optare will have access to Ashok Leyland's low cost manufacturing base in India. Optare will be introducing its low floor mid-sized buses in India and Ashok Leyland will use Optare's distribution system to market its products in the Middle East, South Africa and Eastern Europe. *July 30, 2010*

Ceat, an Indian tire manufacturer, has acquired the remaining 45.16% of **Associated CEAT Holdings (ACHL)**, a Sri Lanka based manufacturer of tires. After this acquisition, ACHL has become a 100% subsidiary of Ceat.

June 04, 2010

Hyundai Wia, a Korean auto parts company, is looking to establish an auto components plant in Nellore, Andhra Pradesh. The plant is expected to be operational by April 2011 and is estimated to cost US\$266m. *June 17, 2010*

Mahindra and Mahindra (M&M) is planning to build an assembly plant in South Africa. M&M is focused on the commercial vehicles segment but plans to enter the farm equipment sector. M&M plans to use the assembly plant in South Africa to market its products in Ghana, Nigeria, Gambia, Chad and Mali.

July 15, 2010

Mahindra and Mahindra (M&M) is in discussions to form a JV with **Proton**, a Malaysian auto company, to sell the *Lotus* range of sports cars in India and manufacture Proton's small cars. M&M is looking to expand its range of vehicles by entering the sports car segment and may also launch Proton's compact car models in India. *June 21, 2010*

Michelin, the French tire manufacturer, plans to set up a second plant in India to produce passenger car tires. The new plant would be operational in the 2012. Michelin is focused on manufacturing tires for commercial vehicles.

June 08, 2010

Nissan Motors is forming a JV with **Defiance Technologies**, a US based company owned by **Ashok Leyland**, to design its global compact car. The car is expected to be priced in the range of US\$4,500 – US\$5,000. *June 16, 2010*

Superior Industries, a US based aluminum wheels manufacturer, will raise its stake from 8.7% to 34.7% in **Synergies Castings**, an Indian manufacturer of aluminum wheels. Terms of the transaction were not disclosed. *June 29, 2010*

Tata Motors has agreed to set up a heavy commercial vehicle plant in Magwe, Myanmar, in partnership with **Myanmar Automobile and Diesel Industries (MADIL)**. The plant will have an initial capacity of 1,000 units, which can later be scaled up to 5,000 units. The plant would be operational by 2011 and the products would be marketed and sold by MADIL. The details of investment have not been disclosed. *July 30, 2010*

Tata Motors plans to set up a new plant in South Africa to assemble small and medium sized trucks. Expected to be

operational by the end of 2011, the plant will have an initial capacity of 3,000 units, which can later be scaled up to 4,500 units. *June 26, 2010*

Toyota Motors plans to set up a new auto component plant on the outskirts of Bangalore to manufacture engines for its upcoming small car, the Toyota *Etios*. The plant is expected to be operational by 2012 for an estimated US\$111m. The plant would have a capacity of 100,000 engines and 240,000 transmissions. *July 07, 2010*

Japan

Itochu Corp, a Japanese conglomerate, has agreed to acquire a minority stake in **Think Holdings AS**, a Norwegian manufacturer of electric cars, for approximately US\$5m. The acquisition will provide Itochu with the distribution rights to market electric cars and drive systems in Japan and other Asian markets. *July 22, 2010*

TI Automotive Holdings, a British auto company, has acquired the remaining 50% of **Mitsuba-Walbro**, a Japanese manufacturer of automobile fuel supply devices and other related parts and equipments, for US\$9m. Mitsuba-Walbro is a 50:50 JV between **Mitsuba Corp** and TI Automotive Holdings. Terms of the deal have not been disclosed. *July 29, 2010*

Topy Industries, a Japanese manufacturer of steel products for the auto industry, has acquired the remaining 16.7% which is did not already own of **Fujian Yuanxing Topy Qiche Lingjian**, a Chinese auto wheel manufacturer. Terms of the deal have not been disclosed. *June 22, 2010*

Korea

Johnson Controls Inc (JCI) has agreed to increase its stake, from 50% to 90%, in its existing JV with **Delkor Corp**, a Korean battery manufacturer, for US\$90m. The remaining 10% will be acquired by the local management team. The Delkor JV was part JCI's acquisition of Delphi's global automotive battery business in 2005. Delkor was a 50:29:21 JV between JCI, undisclosed shareholders and **Central Merchant Banking Corp of Korea**.

July 23, 2010

Ssangyong Motors, a Korean auto company, named **Mahindra & Mahindra (M&M)**, an Indian manufacturer of general-purpose utility vehicles, as the preferred bidder for the acquisition of the company. M&M's bid is estimated at US\$400m. The potential acquisition would give M&M access to the Southeast Asian market and also to new technologies, particularly in

diesel engines. The other bidders for Ssangyong are Korea's **Youngan Hat**, a Korean Aluminum Company, **Renault**, **Ruia Group** and **SM Group**. August 12, 2010

Malaysia

Navis Investment Partners has acquired **Worldmark**, an Australian provider of automotive aftermarket services, from **RMB Capital Partners**, for an estimated US\$90m. Worldmark provides window tinting, chemical treatment, and in-car electronics services. July 13, 2010

Thailand

SP International Co, the major shareholder in **SP Suzuki PCL (SPSU)**, which has been the primary Thai distribution company of Suzuki motorcycle

and spare parts for nearly four decades, plans to launch a tender offer to acquire the remaining 69.62% of SET-listed SPSU for US\$55m. July 16, 2010

Taiwan

Volkswagen AG has agreed to set up a new assembly plant in Taiwan. The cost of the new plant is estimated at US\$30m–US\$150m and would be able to assemble at least 100,000 cars annually. The investment in Taiwan would enable Volkswagen to benefit from the tariff reductions and exemptions to some Taiwan-made exports to China.

July 06, 2010

The stock indices and trading multiples graphs shown in this newsletter represent the ten largest publicly traded automotive components companies (by market capitalization) in China, India, Japan, Korea, the EU and the US.

Asian Specialty Chemicals Transactions with Multiples for Selected Countries (12 months ending in 19Aug10)

| Announce Date | Target Name | Target Country | Acquirer Name | Acquirer Country | Deal Value | Acquisition Type | EV / EBITDA | EV / Revenue | P/E |
|---------------|------------------------------|----------------|-----------------------------|------------------|---------------|------------------|-------------|--------------|--------------|
| 19-Aug-10 | Siam Pan Group PCL | Thailand | Investor Group | Thailand | \$10.8 | 68.7% | 0.4x | 0.1x | 3.9x |
| 29-Jul-10 | MITSUBA-WALBRO INC | Japan | TI Automotive Holdings Ltd | UK | \$8.6 | 50.0% | - | 0.4x | 25.0x |
| 19-Jun-10 | Hubei Axle Co | China | Investor Group | China | \$7.5 | 28.5% | - | 0.4x | 399.4x |
| 6-Apr-10 | Automotive Stamping Tech | Korea | JetTech Ltd | Korea | \$8.0 | 51.1% | - | 0.7x | 12.3x |
| 1-Apr-10 | Interhides PCL | Thailand | Ongart Thumrongsakunvong | Thailand | \$7.1 | 20.0% | 3.7x | 0.9x | 4.7x |
| 16-Mar-10 | CT & T Co | Korea | Creative Mktg Solutions Ltd | Korea | \$230.4 | 100.0% | - | 6.6x | - |
| 8-Feb-10 | Cuzco LBE Co | Korea | A-motion Co | Korea | \$34.3 | 24.3% | 12.4x | 1.0x | 20.3x |
| 1-Feb-10 | Hwa Fong Rubber(Thailand)PCL | Thailand | Mega Intl Coml Bank Co | Taiwan | \$13.4 | 31.9% | 4.3x | 0.7x | 12.1x |
| 1-Feb-10 | MAT Co | Korea | Sejin Electron Inc | Korea | \$13.7 | 33.2% | - | 0.2x | - |
| 22-Dec-09 | First Baking Co | Japan | Toyota Tsusho ESP Corp | Japan | \$19.7 | 30.7% | 19.0x | 0.2x | - |
| 9-Dec-09 | Suzuki Motor Corp | Japan | Volkswagen AG | Germany | \$2,527.4 | 19.9% | 6.2x | 0.4x | 195.8x |
| 14-Oct-09 | Hyundai Corp | Korea | Hyundai Heavy Inds Co | Korea | \$201.9 | 50.0% | 12.1x | 0.2x | 44.9x |
| 12-Oct-09 | Dual Industrial Co | Korea | IHC Co | Korea | \$6.4 | 35.6% | - | 0.5x | - |
| | | | Median | | \$13.4 | 33.2% | 6.2x | 0.4x | 20.3x |

Business Development Asia is an investment banking firm which assists multinational companies in expanding their businesses in Asia through acquisitions, divestments, JVs, and capital raising. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices listed.

Charles Maynard,
Senior Managing Director
cmaynard@bdallc.com

Marc Liu, Associate
mliu@bdallc.com

www.bdallc.com
newsletter@bdallc.com

NEW YORK

Charles Maynard, cmaynard@bdallc.com
Euan Rellie, erellie@bdallc.com
Business Development Asia LLC
1270 Avenue of the Americas, Suite 2310
New York, NY 10020, USA
T (212) 265-5300
F (212) 265-4300

SHANGHAI

Jeffrey Wang, jwang@bdallc.com
Business Development Asia Co Ltd
The Center, #1602, 989 Changle Road
Shanghai, 200031, China
T (86) 21-5407-5580
F (86) 21-5407-5680

SEOUL

Heejun Yang, hyang@bdallc.com
Business Development Asia
21 Floor, S-Tower
116 Sinmunno 1-Ga, Jongno-Gu
Seoul, 110-061, Korea
T (82) 2767-2730
F (82) 2757-2702

MUMBAI

Arun Bagchi, abagchi@bdallc.com
Business Development Asia
898 Notan Plaza, Suite 4A
Turner Road, Bandra (West)
Mumbai, 400050, India
T (91) 22-2643-0290
F (91) 22-2643-0291
F (973) 1758-1483

LONDON

Andrew Huntley, ahuntley@bdallc.com
Business Development Asia Ltd
33 Cavendish Square
London W1G 0PW, United Kingdom
T (44) 20-7182-4518
F (44) 20-7182-4100

HONG KONG

Paul DiGiacomo, pdigiaco@bdallc.com
Business Development Asia (HK)
Suite 905, ICBC Tower
3 Garden Road, Hong Kong
T (852) 2537-9565
F (852) 2537-4406

TOKYO

Jeff Acton, jacton@bdallc.com
Business Development Asia K.K.
Shiroyama Trust Tower, 27th Floor
4-3-1 Toranomon, Minato-ku
Tokyo, 105-6027
T (81) 3-3433-5803
F (81) 5404-8181

BAHRAIN

Ahmed Al Balooshi, abalooshi@bdallc.com
Business Development Asia
Meral Building #2572, Road #2833
4th Floor, Office #42, Block #428
PO Box 30295, Seef District
Kingdom of Bahrain
T (973) 1758-1336