

ASIAN AUTOMOTIVE NEWSLETTER

Issue 45, December 2005

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

CONTENTS

INTRODUCTION	1
CHINA	1
INDIA	4
INDONESIA	5
JAPAN	5
KOREA	6
MALAYSIA	7
THAILAND	8
VIETNAM	9

INTRODUCTION

We hope you find the *Asian Automotive Newsletter* informative.

BDA is a corporate finance advisory firm, which assists multinational clients to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructuring. We have offices and professional staff throughout Asia, and in the US and Europe.

If you think that BDA's services may be useful to you, please contact us at any one of our offices or email me at cmaynard@bdallc.com. Contact details for our offices are at the back of this newsletter. We look forward to speaking with you in the future.

Charles Maynard
Managing Director

CHINA

Bharat Forge and Chinese car manufacturer **FAW** have announced a JV to manufacture automotive components in China. Bharat Forge acquired a 52% stake in FAW's subsidiary FAW forgings for an undisclosed amount. The JV, **Bharat Forge FAW Corporation Ltd**, will become operational from April 2006 and will be based at the FAW Forgings plant in Changchun, Northern China. The JV will manufacture forged automotive components for commercial vehicles buses, trucks and passenger cars. December 12, 2005

The **Bosch Group** opened a new development and manufacturing facility in Wuxi. The Wuxi site covers some 300,000 square meters. Between 2005 and 2007, Bosch plans to invest a total of some €650m (US\$770m) in China. In the past five years alone, the number of Bosch manufacturing facilities there has doubled, from 10 to 20. November 17, 2005

Continental AG aims to double sales at its automotive systems division in Asia to €1bn (US\$1.2bn) by 2010, and it will likely build a greenfield tire plant in China. Continental had earlier sought to form a JV with China's **Doublestar** to enter into the local tire market, but dropped that plan early in March after failing to gain majority control of the venture. **Continental** has also opened a new regional headquarters in Shanghai, and is building a technology centre in Yokohama, Japan, where 250 engineers will work. By the 2010, the Continental's automotive division intends to generate at least half of its new sales to non-European automobile manufacturers. Presently, Continental Automotive Systems generates €500m (US\$585m)

in sales annually in the Asian region. December 1, 2005

US engine producer **Cummins** has said that it will invest US\$300m in China over the next five years. In business volume terms, Cummins aims to expand its Chinese operations from US\$1bn in 2004 to US\$3bn in 2010. China is now Cummins' largest overseas market. The engine maker has teamed up with local heavy-duty truck-maker **Dongfeng Motor** on engine production. Its new investments includes a deal to produce 11-litre engines with **Shaanxi Auto** in Xian and natural gas engines and exhaust systems with Dongfeng. October 17, 2005

Japanese mini-vehicle specialist **Daihatsu** has agreed to license a unit of China's **FAW Group** to produce a compact vehicle based on a multi-purpose vehicle (MPV) developed with **Toyota**. Under the deal, **FAW Jilin Automobile** is to manufacture an MPV based on the *Xenia* from as early as the first half of 2007. FAW Jilin will sell the model under the Daihatsu brand name with initial annual output of 30,000 units. By licensing production of the *Xenia* to FAW Jilin, Daihatsu aims to increase its brand recognition in China while achieving a more speedy entry into the Chinese market and saving on production and investment costs. November 1, 2005

Chinese automaker **Dongfeng** is to reduce its stake in local JV **Dongfeng Yueda Kia** by 5% to 20%, according to news reports. The 5% stake will be transferred to **Jiangsu Yueda** which will raise its stakeholding from 25% to 30%. Kia will retain a 50% stake in the JV. A final decision on the move is expected by the JV's board next month. The decision by Dongfeng follows a request by Jiangsu Yueda for it to pull out of the JV completely over what it described as 'an unreasonable parallel equity structure and lots of disputes'. The JV posted a RMB35m (US\$4.3m) net loss over the first eight months compared with an over RMB100m (US\$12.4m) net profit over the prior-year period. The loss was attributed to higher costs and a price war. November 18, 2005

Hyundai Motor is planning to build a new US\$560m engine plant in Rizhao, Shandong province, according to a news report. The new plant is expected to have an initial annual production capacity of 300,000 units, rising to 500,000 units. The new engine plant will supply Hyundai Group JVs, **Beijing Hyundai** and **Dongfeng Yueda Kia**, in China. The two automakers have ambitious plans to raise production capacity in China to 1 million units by 2008. November 10, 2005

Nanjing Automotive, which agreed to purchase assets of **MG Rover** in July, has been holding talks on joint development of the UK car brand with **First Auto Works (FAW)**. Nanjing Auto plans to set up a subsidiary named **Nanjing Auto MG Automobile** as part of its plans to revive Rover. The company plans to build a manufacturing plant in Nanjing with annual output of 300,000 cars for the venture. Since its takeover of MG Rover, Nanjing has been in talks with rival Shanghai Auto and others to help share the development and manufacturing costs of the UK carmaker. SAIC has rights and tooling for the cars but no production source for engines. Nanjing controls the engine production equipment, but its rights to both the engines and MG versions of the Rover cars are ill-defined. November 8, 2005

Nissan's China JV, **Dongfeng Motors**, is to raise its annual production capacity by 2007 by 80% to 270,000 units. The production capacity expansion at the Guangdong factory entails investment of around ¥9.5bn (US\$80m). The expansion is designed to sustain Dongfeng Motor's rapid growth in the China market. Nissan aims to sell 300,000 cars in China in 2007 with the release of two new models planned every year from 2006. November 9, 2005

Czech carmaker **Skoda** has signed a partnership with **Shanghai Auto**. Under the deal Skoda has already signed a partnership agreement to manufacture its *Octavia* model at local JV **Shanghai VW** in 2007. Initial annual Skoda production is being targeted at 40,000 vehicles, potentially rising to 60,000. Shanghai Auto, meanwhile, further plans to launch its own brand

models in 2006 using technology acquired from UK carmaker **MG Rover**. The new model, based on the Rover 75, is to be shown for the first time at the Beijing Auto Show in mid-2006. December 9, 2005

Siemens is to construct a gasoline engine testing centre in Changchun City. Siemens already operates a manufacturing facility in Changchun which provides support services for 60% of automakers in China and yields annual sales of around RMB740m (US\$92m). The new testing centre will help Siemens lower its costs as engine control management systems are currently shipped to Germany for testing. November 22, 2005

Suzuki is planning to build a new factory with its Chinese partner, **Changan**. Changan and Suzuki are seeking to expand their production capacity in order to meet rising demand for compact cars in China. The two companies currently produce the Suzuki *Alto*. The new 200,000-unit capacity plant will entail new investment of US\$370m. Changan also plans to build two of its own-designed cars in a move towards independent car production. September 28, 2005

Suzuki said that it will raise its production capacity at a JV in China by 60% to 160,000 units. Suzuki said that under its expansion plans at Jiangxi Changhe, it will acquire local car assembler **Jiujiang Changhe Automobile**, an affiliate of Suzuki's JV partner, **Changhe Aircraft Industry**. The company will produce the Suzuki *Aerio (Liana)* in China and provide additional annual production capacity of 100,000 units. Suzuki is raising production capacity in China in a bid to meet rising demand for A- and B-class cars. A-class light vehicle sales rose by 35% over the first 10 months to 305,000 units. November 25, 2005

Suzuki has begun engine production at its new plant in Jiujiang, Jiangxi province. The plant was constructed by Suzuki and its local JV, **Jiangxi Changhe Suzuki**, to boost their local content levels in China and raise profitability in an increasingly competitive market. In the plant's first phase of construction it will build 1.4-litre *K14B*

engines with an annual production capacity of 75,000 units. Production capacity is to be doubled in the plant's next phase. The engine is to be fitted in the Suzuki *Wagon R Wide* currently being produced by Changhe Suzuki as well as other models. September 22, 2005

Toyota Machine Works, Yamasei Kogyo and **Yokomaha Rubber** have established a company called **Yamasei Automotive (Foshan)** to produce automotive parts, including power steering piping, in China. Initially, the new company plans to manufacture and ship power steering pipes to **Toyota-Koki Automotive (Fushan) Co Ltd**, a subsidiary of Toyota Machine Works. The new company will also begin supplying automotive parts to Japanese automotive manufacturers in China in April 2006. November 21, 2005

Trelleborg Group has signed an agreement to acquire the remaining 45% of shares in its Chinese subsidiary, **Wuxi Trelleborg Vibration Isolator Co Ltd** from **Wuxi Guolian Group**. **Trelleborg Wuxi**, the name of the new company, focuses primarily on vehicle components, such as antivibration systems, selling to both domestic and international customers. The plant, which was inaugurated in the spring of 2005, replaced Trelleborg's former plant in Wuxi, doubling production capacity. The total area of the new plant is almost 20,000 square meters. October 31, 2005

Yokohama Rubber and **Shandong Yuema Rubber Belt**, a Chinese conveyor-belt manufacturer, have announced plans to set up a JV company to manufacture and sell conveyor belt products under the brand of Yokohama Rubber. The JV, **Shandong Yokohama Rubber Industrial Products Co Ltd**, in Feifang, Shandong Province, will begin manufacturing steel cord conveyor belts in June 2006 and fabric conveyor belts in the fall 2006. **Yokohama Rubber (China)** will hold a 51% stake in the new company, which will be capitalized at US\$9.7m, and Shandong Yuema Rubber Belt will retain the remaining 49%. Yokohama Rubber aims to strengthen the production and sales of conveyor belt products targeted at China and overseas. November 21, 2005

ZF has established a wholly-owned subsidiary, **ZF Drivetech (Hangzhou) Co Ltd**, in the city of Hangzhou to assemble and market transmissions for heavy commercial vehicles weighing 16 tons or more. Production operations with Ecosplit Classic Line transmissions are scheduled to start in mid-2006. In addition, the new subsidiary will distribute the latest version of the ZF Ecosplit transmission produced in Friedrichshafen. According to long-term plans, this transmission will also be assembled in Hangzhou. ZF Drivetech (Hangzhou) will exclusively supply the Chinese market. November 2, 2005

INDIA

Audi is in talks with its sister company **Skoda** about the possibility of setting up an assembly facility in India. Skoda and Audi are both subsidiaries of the **VW Group** and it is likely that Audi could use spare capacity at Skoda's facility in Aurangabad to assemble completely-knocked down (CKD) kits of the A4 model range. In a separate report, Skoda has confirmed plans to double capacity at its Aurangabad plant from 15,000 to 30,000 units. The new target will be met by the middle of 2006 and may be increased even further depending on demand in India and export markets. September 21, 2005

BMW has signed a memorandum of understanding (MoU) with the regional government of Tamil Nadu to set up a car assembly plant in Chennai. BMW will build the new factory at the Mahindra World City Industrial Park at Maraimalai Naga. The factory will involve an investment of Rup1.8bn (US\$39m) and will be completed in the next five years. The plant's operations are initially likely to entail the assembly of completely knocked down (CKD) kits for the **3-Series** and **5-Series** model ranges for the Indian market in order to compete against the **Mercedes-Benz E-Class**, which is currently India's market leader in the prestige segment. December 9, 2005

French carmaker **Citroen** is close to making a decision on whether to enter the Indian passenger car market. The company has not finalized the dates or the models. It is thought that Citroen will initially import completely built-up (CBU) units and then gradually look at the possibility of setting up an assembly facility in India to manufacture completely knocked down (CKD) kits. Citroen would become the first French car manufacturer to have a substantive presence in India if it were to enter the country's market. December 12, 2005

Fiat has announced plans to increase the sourcing of its components from India in 2006 as the company continues to cut costs. Fiat India said it will source over US\$10m worth of components in 2006, mainly for the production of the Fiat *Palio* in South Africa. December 8, 2005

GM has abandoned plans to buy the former **Daewoo Motors India** factory at Surajpur in northern Uttar Pradesh. According to news reports, the state government's delay in reaching an out-of-court settlement with the enterprise's creditors led to GM pulling out of the deal. GM Daewoo's plans to use the plant at Surajpur to manufacture a small car now look doomed. Instead GM is likely to expand the production capacity of its plant in Halol by another 70,000 to 80,000 units a year to cater for production of the GM Daewoo *Matiz* in India. October 7, 2005

Hyundai Motor is making India a significant base for small-car production, announcing plans to invest US\$600m to build a second Indian plant. When it comes online in the second quarter of 2007, the plant will boost Hyundai's production capacity to 400,000 units. Hyundai expects combined export and domestic sales of 310,000 units in 2007 and 400,000 units in 2010. Both plants are at Chennai, formerly known as Madras. December 5, 2005

US-based firm **International Truck & Engine Corporation (ITEC)** has signed a JV deal to manufacture trucks and buses in India with **Mahindra & Mahindra (M&M)** under the name Mahindra International. The two firms will invest US\$80m in the project to make trucks and buses

with 6-35 tons of load-carrying capacity. Mahindra will have a 51% stake in the JV, with ITEC holding the remaining share. The operation will initially produce light trucks and buses and will later be expanded to include medium and heavy trucks and buses in 2007. Mahindra International aims to export to developing markets in Asia, Middle East, Russia, Africa and Central Europe, as well as cater to the Indian domestic market. November 17, 2005

German truck-maker **MAN Nutzfahrzeuge AG** and India's **Force Motors** have signed a letter of intent (LoI) to manufacture heavy commercial vehicles in India for the Indian and Asian markets. The LoI covers the establishment of an Indian production facility, R&D and marketing. Production of MAN trucks in India for the Indian market is scheduled to commence next year, with the JV producing trucks for the entire Asian region from 2007. This is the first time that MAN will have a manufacturing facility capable of servicing the growing Asian market. MAN and Force Motors are planning production of 24,000 units in the medium term. November 10, 2005

Maruti Suzuki is planning to invest Rup21.2bn (US\$470m) in its Indian operations in order to meet a target of producing 1 million cars by the end of the decade. Maruti Suzuki will launch a new model every year over the next five years. A large proportion of Maruti's extra capacity will come from a new plant at Manesar, which will have an initial annual capacity of 100,000 units, with the ability to make incremental increases. October 20, 2005

Toyota has received the go-ahead to build a second factory in India with an investment of Rup11.5bn (US\$25.6m) near the site of its current assembly facility near Bangalore. The move appears to be confirmation that the Japanese automotive giant is about to launch a major assault on the Indian small-car market, which is currently dominated by **Maruti**,

To submit stories to future editions of this newsletter, please contact Ms. Sora Ahn in New York on 212.265.5300 or sahn@bdallc.com.

Daihatsu and **Tata**. The factory will have a capacity that will eventually reach 150,000 units, which would make it a major player in the Indian small-car market. Toyota's Indian operation has yet to give any precise details about its plans to launch a small car, but 2007 is seen as the most likely introduction date. October 12, 2005

INDONESIA

Daihatsu plans to spend US\$70m in order to raise capacity at its Indonesian operation, **PT Astra Daihatsu**, to 150,000 units from the current level of 78,000 units by early 2007. Daihatsu said that the investment is in addition to the announcement made earlier this year that PT Astra Daihatsu's annual output would rise to 114,000 vehicles by the end of 2005. Daihatsu's decision to ramp up production at its Indonesian operation has a lot to do with the success that the company's *Xenia* car has had in the Indonesian market. The *Xenia* is the Daihatsu-badged variant of the Toyota *Avanza*. November 10, 2005

JAPAN

DaimlerChrysler AG sold its entire 12.42% stake in **Mitsubishi Motors Corp** to Goldman Sachs who then placed the shares with institutional investors around the world. A source said DaimlerChrysler probably sold off the shares to for a substantial discount of up to 18% of Mitsubishi Motors' current share price. The partners said existing projects with Mitsubishi Motors would not be affected by DaimlerChrysler's disposal of the shares, adding that the companies planned to extend mutually beneficial projects. November 11, 2005

GM offloaded its 20% stake in Japanese automaker **Fuji Heavy Industries**, *Subaru* carmaker. GM's leading rival **Toyota** agreed to take 8.7% of the divested stake, valued at approximately US\$315m. GM will gain ¥84.8bn (US\$724.4m) from the sale based on the closing share price. The move will make Toyota the largest shareholder in Fuji Heavy. GM said that it would continue to co-operate with Fuji Heavy on production of the *Saab 9-2x* but the move signals the end of other joint arrangements including a *Saab* cross-over vehicle development program. October 6, 2005

Nissan has announced that it is investing ¥15.7bn (US\$134m) in expanding the annual engine and suspension capacity at its Yokohama plant to 680,000 units in financial year 2007/08 from 430,000 units in 2005/06. Nissan's production capacity will help the automaker meet its goal of meeting rising vehicle demand under its Value-Up plan which targets global sales of 4.2 million units in FY 2008/09. The plant investment is also designed to enable Nissan to manufacture more environmentally friendly engines. November 4, 2005

KOREA

Alcoa has announced that it has signed a letter of intent with **Seohan Industries** of Korea to form an alliance to produce cast aluminum chassis and suspension components and modules for the automotive industry in Korea, Japan, China and Australia. Alcoa intends to license its Vacuum Riser-less and Pressure Riser-less Casting (VRC/PRC) technology and sell related production assets to Seohan. Seohan will establish an aluminum castings plant in South Korea to supply OEMs in Asia with cast structural parts using Alcoa's proprietary technology. Alcoa believes that with the intensifying focus on safety and fuel economy, a significant increase in the use of aluminum castings in the critical chassis and suspension areas of the vehicle is in prospect. September 30, 2005

Intier Automotive, a **Magna International** subsidiary, has announced the formation of a new JV in Korea. The 50/50 JV with **DAS Korea** is called **Intier DAS Seating Systems** and the new company anticipates seat assembly start-up in China and Korea in 2006. Seat mechanisms will also be manufactured in China. DAS Korea is a leading Asian supplier of seating mechanisms with an established customer base that includes Hyundai and Kia in Korea, China, the US and Europe. September 30, 2005

BorgWarner is expanding its presence in Korea by opening a new production and technology centre in the Ochang Scientific Complex, near Chungju City. The company already has a sales and engineering support office in Seoul. The new facility will initially employ 28 people and includes a manufacturing operation and an administrative centre. Borgwarner plans to expand production of all-wheel-drive systems for the Korean market, for both rear-wheel-drive and front-wheel-drive vehicles. November 10, 2005

GM will more than triple its car parts purchases from Korea to US\$2bn by 2008. GM, the world's biggest automaker, is suffering due to a slide in US sales plus high wages, health care and commodity costs. A possible strike at its main parts supplier, bankrupt **Delphi Corp**, could shut down a few plants, analysts have said. GM may send officials to Korea in December to meet suppliers although specific companies have not been named yet. A number of local parts makers, including Hyundai Mobis Co and Mando Corp, supply vehicle parts to GM. November 17, 2005

Hyundai Autonet, Korea's leading manufacturer of in-car entertainment and audio systems, has announced that it will merge with Korean components manufacturer **Bontec** in February. Bontec is an affiliate of **Hyundai Motors** and the automotive electronics components suppliers and should see the combined revenue from the merged business increase to W1.0tr (US\$963m) next year, up from W400bn (US\$350m) in 2005. November 15, 2005

Hyundai and **Siemens** have finalized the details of their components JV, which will be based in Korea. The new electrical components company will be called **Carnes Co** and will be capitalized at W500m (US\$0.5m). It will be 49.99% owned by Hyundai and 50.01% owned by Siemens. The company will develop electronic control units such as power seats and air conditioners, as well as multimedia components such as car audio and navigation systems. November 2, 2005

Hyundai has confirmed plans to invest US\$1.2bn in building a plant in the Czech Republic. The company's sales in Europe have been growing annually at a rate of around 20%. With a capacity of 300,000 units, the new facility will be capable of meeting most of Europe's growing demand for Hyundai vehicles. The factory in the Czech Republic will join the plant that is being constructed for **Kia** in Slovakia and will also supplement the new Kia design, and R&D centre that is being built in Frankfurt. October 3, 2005

Korean company **Halla Engineering & Construction Corporation** intends to rival **Hyundai Motors** in the race to buy automotive components manufacturer **Mando**. The news follows previous reports that Hyundai Motors was the only serious bidder after **Continental** and **TRW Automotive Holdings** withdrew their interest. A Mando spokesman said that Halla, the second-largest shareholder in the supplier with an 18.6% stake, will have priority in purchasing the stake. Halla has already set aside W200bn to W300bn (US\$190m to US\$290m) for the takeover and is seeking to secure more funds from domestic investors. November 17, 2005

Metaldyne announced that it will expand its manufacturing location in Pyeongtaek, Korea by almost double. The plant, which currently produces balance shaft modules for **Hyundai**, will expand to include powder metal connecting rod assemblies and front end modular assemblies. Metaldyne will also add engineering resources in the region. October 31, 2005

MALAYSIA

Chinese automaker **Geely** is looking at other Southeast Asian production sites after Malaysia opted to ban local sales of cars it assembles in the country. The Malaysian authorities recently asked Geely to export all passenger cars made in the country and not sell them in the domestic market. In May, Geely signed a five-year export agreement with Malaysia's Information Gateway Corp (IGC) to deliver at least 30,000 completely knocked down (CKD) kits to Malaysia for final assembly by IGC. Geely has a target of deriving two-thirds of its sales from overseas markets. November 30, 2005

Honda's Malaysian production facility has begun exporting driveshaft components to the company's production base in the UK. Honda's plant in Alor Gajah, Malacca, is now producing 360,000 sets of driveshafts per year. Honda's decision to export components from Malaysia to the UK is in line with an increasing amount of automotive components production that is being carried out in India and the ASEAN region for Honda. September 14, 2005

Malaysian national carmaker **Perodua** is looking at the possibility of expanding the production capability of its Serendah plant in Selangor by up to 100,000 units. The cost of the production expansion would likely be RM150m (US\$39.7m). Perodua has raised its production capacity in recent months in order to cope with increasing demand for its range of compact A-segment cars. Perodua also wants to increase exports of the car that was jointly developed with **Daihatsu** specifically to have export potential. October 5, 2005

VW's talks with **Proton** over a possible merger/buy-out may have stalled following the announcement that Proton is interested in buying two platforms from VW. The news signals that the proposed equity tie-up, which would have eventually led to technical collaboration on model development,

may no longer happen. VW is looking for a controlling stake in Proton and executive control over the company, something which the state-controlled Malaysian carmaker is not prepared to accept, despite needing the technical and financial injection a tie-up with VW would bring. October 24, 2005

THAILAND

AAPICO Hitech has acquired a 60% stake in automobile navigation systems and components maker **Able ITS**. AAPICO Hitech has been aggressively expanding its automotive components interests in recent months as it looks to service the burgeoning Thai automotive industry. It recently acquired a unit of **Dana** for US\$54m, an acquisition which made AAPICO the sole supplier of frames for *Isuzu D-Max* pick-up trucks in Thailand. AAPICO Hitech is partly owned by Malaysian multinational conglomerate **Sime Darby**, which holds an 18.29% stake in its operations. September 26, 2005

Honda is to build a new R&D centre in Thailand to enable the company to respond more quickly to the needs of the Asian market. The company plans to invest ¥7bn (US\$60.5m) in a new subsidiary company called **Honda R&D Asia Pacific Co Ltd.** Honda's commitment follows the growing trend for major carmakers to establish R&D facilities outside their home countries. This means that they can take advantage of the lower cost base of hiring high-quality engineers and technicians in a developing economy like Thailand. October 31, 2005

Honda is planning to invest Bht850m (US\$20.8m) in expanding production capacity for pressed parts from 1.8 million to 4 million pieces. The expanded facility, scheduled for completion in March 2006, is expected to generate Bht1.5bn (US\$36.5m) in export revenue. Around 60% of the production will

be exported, primarily to India, Indonesia, Malaysia, Pakistan, the Philippines and Turkey, as well as shipped to Japan and Australia as part of built-up vehicles. Honda has already spent Bht2.0bn (US\$48.7m) on manufacturing upgrades in 2005, including a high-speed plastic-moulding plant. November 4, 2005

Honda is looking to increase its share of the Thai passenger car market to 30% from the current 21%, following the launch of the latest version of the *Honda Civic*. In 2006 Honda is looking to sell 26,000 units of the *Civic*. Thailand will be Honda's ASEAN regional production base for the new *Civic*. Honda has set a production target of 41,000 units a year for the *Civic* in Thailand, which will cover domestic demand as well as exports to other ASEAN countries and Australia. November 18, 2005

Mercedes-Benz has announced that it will begin production of the all-new *S-Class* model range at its Samut Prakan plant in Thailand from 2007. This follows the recent announcement that Mercedes-Benz would start production of the recently launched new *A-Class* model range at the same plant from February 2006. November 18, 2005

Nissan sold its Thai affiliate company that produces ladder frames chassis for its pick-up trucks to Japanese automotive components company **Press Kogyo**. The affiliate, **Siam Auto Manufacturing**, was 100%-owned by a local Nissan unit, **Siam Nissan Automobile**, and manufactured 100,000 frames for Nissan's pick-up model range last year. Press Kogyo will continue to supply Nissan's Thai pick-up operation with the chassis. No price for the deal was given. Nissan plans to quadruple annual production in Thailand to 200,000 vehicles by 2008 from around 52,000 expected this year. November 17, 2005

SAIC has signed a contract with two Thai companies to set up an assembly facility in Thailand to manufacture passenger cars and minivans. SAIC has made a deal with **Yontrakit**

Group and **E.C.I. Group**, a subsidiary of the **CP Group**, one of Thailand's largest agro-industrial conglomerates. In the initial stage, the company will import completely knocked-down (CKD) parts from China to assemble vehicles at the Thai plant. The assembly facility will produce 1100cc to 1300cc and 2300cc to 2400cc passenger cars and vans for the domestic Thai and ASEAN markets. The assembly line is expected to be operational in the next two years. September 23, 2005

Toyota has announced plans to build a new plant in Thailand that will produce the *Hi-Lux Vigo* pick-up for the Thai market and a number of export markets, including the ASEAN region, Australia and New Zealand. This will be Toyota's third manufacturing facility in Thailand, adding a further 100,000 units to the manufacturer's production capability in the country. When completed, the new US\$340m plant will raise Toyota's annual production capacity in Thailand to 550,000 units. Production at the plant will begin in 2007. December 8, 2005

VIETNAM

APM Springs Vietnam, a wholly owned subsidiary of the **APM Automotive Holdings** of Malaysia, has opened a US\$4m parts plant in Binh Duong Province. Located on 10,000 square meters in Vietnam-Singapore Industrial Park, Thuan An District, the plant will turn out 6,000 tons of leaf springs per year, later rising to 10,000 tons. About 80% of output will go for export. APM Automotive, which had a turnover of US\$200m in 2004, says it plans more investments in Vietnam. December 2, 2005

Daewoo has been given tentative approval by the Vietnamese government to set up a bus production facility in the northern province of Vinh Phuc, according to news reports. Daewoo already has a JV making passenger cars, which is known as

Vidamco. It is estimated that the new bus factory will cost US\$30m and will open in 2006, producing 3,000 buses a year. September 15, 2005

Honda has said that it will begin production of the next-generation Honda *Civic* in Vietnam from 2006. The Civic will be the first car to be made at the new US\$60m factory Honda is building next to its existing motorcycle plant in the northern province of Vinh Phuc. Honda is planning to begin production of the model in June 2006. Honda also announced that the plant will have an engine assembly line so that the Civic in Vietnam will have a locally assembled engine. The new project is a JV 70% owned by Honda and 30% owned by the **Vietnam Engine and Agricultural Machinery Corporation**. The factory will have the capacity to produce 10,000 units a year, which will be sold in Vietnam and other ASEAN markets. October 19, 2005

Local JV **JDR-Vietnam Automobile** has begun construction of a US\$70m auto factory in the central province of Phu Yen, Vietnam. The An My District factory will have an annual production capacity of 15,000 vehicles including 10,000 trucks of up to 7 tons and 5,000 cars and minibuses with up to 16 seats, as well as components. Around 70% of production is to be for the local market. The plant is to begin with a 20% local content rate, rising to 60% within six years. JDR Vietnam is a JV between the **Phu Yen Industrial Import-Export Company** and Malaysia's **JDR Motor Vehicles Assemblers**. The government is seeking local production of 55,000 trucks in 2005 for transportation projects. September 21, 2005

Korean tire-maker **Kumho Tire Company** has reportedly met with the authorities of the southern province of Binh Duong to discuss the possibility of building a tire production factory in the province. If terms can be agreed, the investment by Kumho will be in the region of US\$300m in an auto tire factory, using natural rubber from local sites. The factory will have an initial capacity of 3 million tires a year, which will be raised to 10 million tires a year in the future. Kumho is expected to start work

on the factory in 2006 if an agreement is reached. Kumho is looking to take advantage of Vietnam's policy of encouraging tire manufacturers to establish in the region to take advantage of easy supplies of natural rubber. October 18, 2005

Michelin has opened a sales and distribution office in Vietnam to co-ordinate the company's activities in the country. Michelin has opened the office in Hoi Chi Minh City in order to work closely with

distributors and develop its sales network within Vietnam. Michelin is rapidly expanding its operation in Asia and has recently opened new factories in China and Thailand, as well as a new R&D facility in Japan. The Vietnamese tire market is set to grow dramatically in the next few years as the vehicle park increases and more companies set up vehicle manufacturing JVs in the country. October 4, 2005

Charles Maynard, Managing Director

Sora Ahn, Associate

ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists multinational companies in expanding their businesses in Asia through JVs, acquisitions and divestments. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices below.

New York

Euan Rellie
Business Development Asia LLC
The Economist Building, 11th Floor
111 West 57th St
New York, NY, 10019
Tel (212) 265-5300
Fax (212) 265-4300

London

Andrew Huntley
Business Development Asia Ltd
10 Crown Place
Clifton St
London EC2A 4FT
Tel (44) 20-7655-3500
Fax (44) 20-7655-8913

Tokyo

Jeff Acton
Business Development Asia
Crane Toranomon Building 5th Floor
3-20-5 Toranomon, Minato-ku,
Tokyo 105-0001 Japan
Tel (81) 3-3433-5803
Fax (81) 3-3433-5269

Seoul

Hans Kim
Business Development Asia
Rm #709, Yeoksam Hyundai
Venture Tel
Yeoksam-dong 642-1, Kangnam-ku
Seoul, 135-080, Korea
Tel: (82) 2-2192-4450
Fax: (82) 2-2192-4454

Shanghai

Jeffrey Wang
Business Development Asia Co Ltd
The Center, #3706
989 Chang Le Road
Shanghai 200031, China
Tel (86) 21-5407-5580
Fax (86) 21-5407-5680

Hong Kong

Paul Digiacom
Business Development Asia Ltd
1411 Harcourt House
39 Gloucester Road
Wanchai, Hong Kong
Tel (852) 2537-9565
Fax (852) 2537-4406

Mumbai

Rohit Singh
Business Development Asia
Apeejay Business Centre
3 Dinsha Vachha Road
Churchgate, Mumbai 400020
Tel: (91) 22-56517128
Fax: (91) 22-56517129

Bahrain

Tim Holder
Business Development Asia
Bahrain Office
PO Box 11487
Manama, Bahrain
Tel: (973) 3962-6312
Fax: (973) 3962-6312