

ASIAN AUTOMOTIVE NEWSLETTER

DECEMBER 2009, ISSUE 61

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

As the global auto industry struggles, emerging Asia has remained the single significant growth region. China particularly is beginning to develop into a powerful force in the international auto market. Chinese auto suppliers have traditionally been firmly focused on their home market, but this is finally changing with a number turning up as bidders, sometimes successful ones, for Western assets. Don't expect this turn into a tidal wave, but do expect steady and significant growth as Chinese companies start to join Indian companies on the global acquisition trail.

Business Development Asia LLC (“BDA”) is an investment banking firm which specialises in executing cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructurings. We have offices in all of the major Asian automotive markets, as well as in Bahrain, London and New York. If you are interested to discuss any of the articles in this newsletter, please contact me directly.

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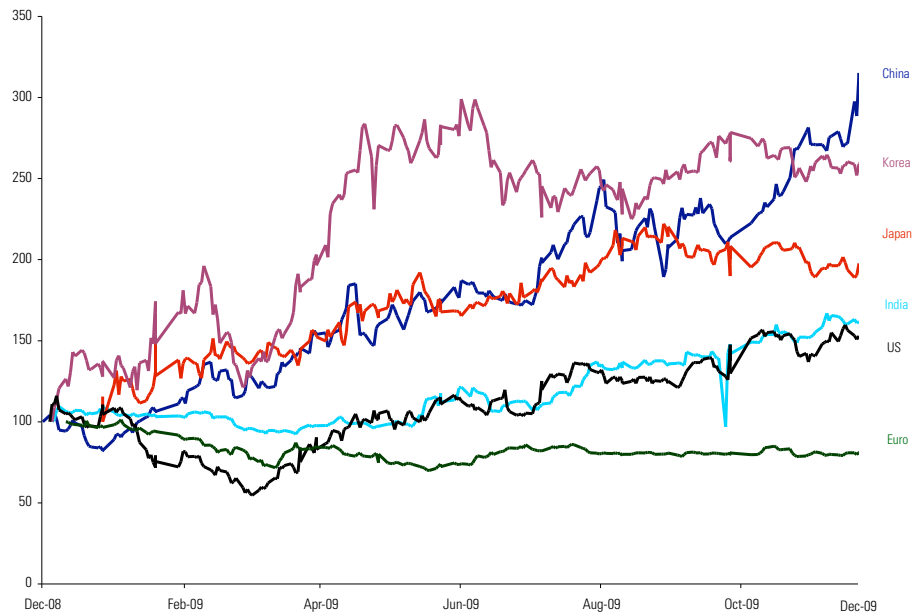
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China

Anhui Jianghuai Automobile (“JAC”), a Chinese automaker, has signed an agreement with **NC2 Global (“NC2”)**, a US-based truck manufacturer owned by US-based **Caterpillar** and **Navistar International**, to form a 50:50 JV to manufacture trucks and truck parts in China. The JV, expected to be formed by Q3 2010, will take advantage of NC2’s financial strength, technology and global distribution network and JAC’s medium and heavy-duty truck business, including its manufacturing facilities in China. The formation of the JV is part of NC2’s strategy to produce and market a full line of commercial on-highway trucks for markets outside of North America.

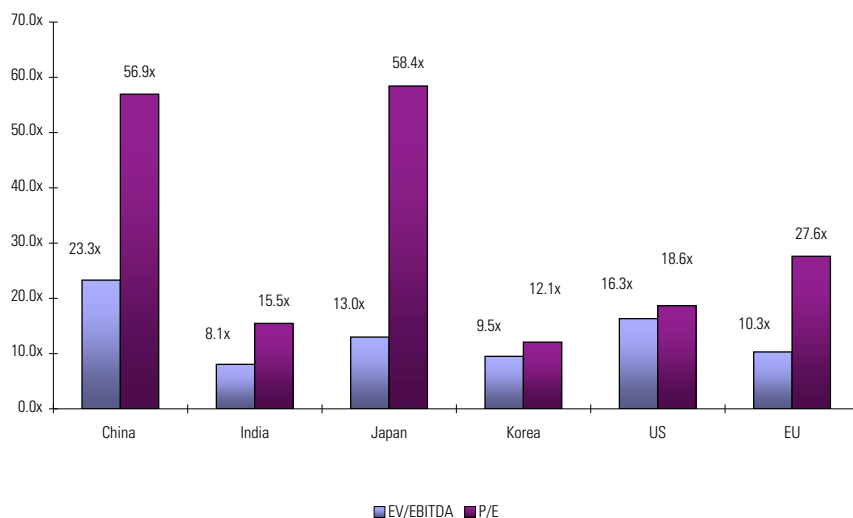
September 28, 2009

Auto Stock Indices for Selected Countries (12 months by 9Deco9)



Source: ThomsonOne

Auto Trading Multiples for Selected Countries (11Dec09)



Source: ThomsonOne

BeijingWest (“BW”) Industries Group, a Chinese investment company owned by state-owned steelmaker **Shougang Group**, has acquired the brake and suspension unit of US auto parts giant **Delphi** for US\$100m. The sale is part of Delphi’s restructuring strategy and includes brakes and suspension businesses in China, France, Mexico, Poland, the UK and the US. BW will acquire the equipment, property and IP relating to these businesses. The transaction will allow BW Industries to enter the premium auto chassis market. *November 3, 2009*

BMW has signed an MoU with **Brilliance Automotive Holding** to establish a second plant, with an investment of US\$840m, for their JV **BMW Brilliance Automotive**. The new plant, to be located in Shenyang, will start production in 2012 and is expected to produce 100,000 units per year of BMW’s 3 and 5

series cars. *November 12, 2009*

Chery Automobile, a Chinese automaker, has announced plans to invest US\$500m to build an assembly plant in Turkey in cooperation with its Turkish distribution partner, the **Mermerler Group**. The facility, which will have a minimum capacity of 100,000 vehicles, will initially produce Chery A1 and A3 models. Chery’s aim in establishing a facility in Turkey is to export cars to Europe without paying extra custom duties. *October 15, 2009*

Eco Concept (“Eco”), a special vehicle engineering firm owned by Chinese businesswoman **Dr. Qu Li**, has acquired the assets of **LDV**, a bankrupt British van-maker with US\$125m in debt, for an undisclosed consideration. It is reported that Eco is backed by **SAIC**, a Chinese automaker, on the acquisition. LDV’s assets are expected to be relocated to SAIC-owned **MG UK** facility at Longbridge,

where Eco would produce and assemble low volume specialized light commercial vehicles. *October 16, 2009*

General Motors has signed an agreement to sell its **Hummer** brand to Chinese **Sichuan Tengzhong Heavy Industries Machinery** for a reported US\$150m. Tengzhong will acquire the **Hummer** brand, trademark, trade names and specific IP license rights necessary to manufacture **Hummer** vehicles. *October 11, 2009*

Great Wall Motor, a Chinese automaker, has signed a US\$6m agreement with Bulgaria’s **Litex** to build a plant to manufacture and assemble 50,000 units of SUVs, pickups and sedans per year in Lovech, Bulgaria. The project, expected to begin vehicle roll out by 2011, would enable Great Wall to establish its presence in the European Union. *October 20, 2009*

Huachen Automotive Group, a Chinese state-owned automotive group, has acquired the Zhonghua business assets of loss making **Shenyang Brilliance Jinbei Automotive**, a Chinese manufacturer of motor vehicles and parts, from Chinese automotive group **Brilliance China Automotive**, a 55% subsidiary of **Huachen**, for US\$560m. The sale provides Brilliance with an immediate earning enhancement, funds to meet its working capital requirements and will enable Brilliance to refocus its management and financial resources on its other profitable businesses. *October 30, 2009*

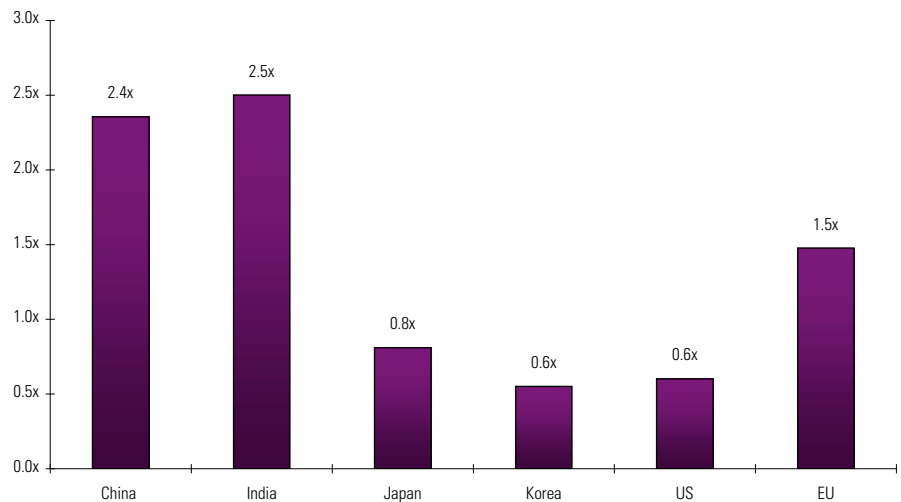
JATCO, a subsidiary of Japanese automaker **Nissan** and world's largest manufacturer of Continuously Variable Transmission ("CVT"), plans to invest US\$44m to establish a manufacturing unit in Guangzhou. The new plant, expected to produce 140,000 units per year, will manufacture CVTs to be used in Nissan's *Teana*, *Sylphy*, *X-Trail* and *Qashqai* models. *October 19, 2009*

Jiangsu Yaxing Automobile Group, a Chinese automotive company, has agreed to acquire 28% of **Yangzhou Diesel Engine**, a Chinese diesel engine manufacturer from **Yangzhou Yaxing Motor Coach**, a Chinese motors manufacturer for US\$7m. *November 25, 2009*

Ningbo Veken Elite Group and **Zhejiang Veken Venture Investment** will acquire 20% of **Ningbo Swell Automobile Trimming Parts**, a Chinese manufacturer and wholesaler of vehicle parts for US\$15m. **Ningbo Veken Elite Group** will acquire 14% and **Zhejiang Veken Venture Investment** 6%. *November 25, 2009*

Valeo, a French auto component manufacturer, has acquired the remaining 40% stake not held in **Valeo Fawer Compressor (Changchun)**, a Chinese manufacturer of auto compressors, from **Fawer Automotive Parts**, a unit of a Chinese state-owned automotive major **China FAW Group**, for an undisclosed consideration. The transaction further strengthens Valeo's presence in China. Valeo, which has five facilities in China, expects to generate US\$600m in revenues

Auto Price/Revenue Ratios for Selected Countries (11Dec09)



Source: ThomsonOne

from China in 2009. *November 9, 2009*

Volkswagen plans to invest US\$6bn in China over the next three years to expand capacity and to introduce new products. The investment, which would be financed from the cash flow of VW's two JVs in China, **Shanghai Volkswagen** and **FAW Volkswagen**, is part of VW's strategy to strengthen its presence in China. *October 22, 2009*

Hong Kong

Jinzhou Wanyou Mechanical Parts, a wholly-owned subsidiary of **Wonder Auto Technology**, a Chinese manufacturer of automotive electrical parts, suspension products and engine accessories, has acquired **Friend Birch (HK)**, a manufacturer of automotive springs, gas springs, gas spring shafts and

other thin mechanical shaft products, for US\$12m. The acquisition includes Friend Birch's rods and shafts technology development center, technologies and patents, and is expected to enhance the technology, improve the quality and increase the variety of Wonder Auto's rod and shaft products. The transaction will expand Wonder Auto's overall capacity by five million units, give access to Friend Birch's Chinese and European OEM customers and provide US\$2m in net income to Wonder Auto in 2010.

September 23, 2009

India

Bajaj Auto, an Indian manufacturer of two-wheelers, has formed a JV (codenamed *Dream*) with **MotoCzysz**, a US-based motorcycle manufacturer, to develop an innovative vehicle packed

with futuristic innovative automotive technologies to improve overall efficiency without compromising on aesthetics and performance. *October 4, 2009*

General Motors India has formed a 50:50 JV with **Reva Electric Car Company**, an Indian manufacturer of electric vehicles, to roll out electric variants of GM's Chevrolet *Spark* small car in India and select overseas markets. The JV, which is part of GM's strategy to focus on electric vehicles, would be GM's first transaction since filing for Chapter 11 bankruptcy in 2008. *September 14, 2009*

JK Tyres, an Indian radial tire manufacturer, has completed the first phase of the expansion of its Mysore unit at an investment of US\$75m. The Mysore plant, which will produce radial tires and tubeless radials for trucks and buses, will have a capacity of 800,000 units. The company also plans to invest an additional US\$250m over the next three to four years to set up a new plant as well as to expand the Mysore plant's capacity to one million units a year. *November 2, 2009*

Mahindra & Mahindra ("M&M"), an Indian automotive manufacturer, has announced plans to establish a new 450-acre plant near Chennai at an investment of US\$400m. The new facility, which will include a test track, an R&D center and a vehicle design studio, will manufacture utility vehicles, tractors, light commercial vehicles and auto components. *November 13, 2009*

Michelin, the French tire manufacturer,

has announced plans to build a new 290-acre plant near Chennai at an investment of US\$900m spread over seven years. The new plant, expected to be operational by 2012, will manufacture radial tires for trucks and buses. The radial tires will initially be sold in India with possible exports at a later stage. Michelin, which supplies **Honda**, **Mercedes-Benz** and **Volvo** in India, currently imports most of its Indian radial tire supply from its Thailand-based plant. *November 28, 2009*

Renault and **Nissan** are in talks with **Bajaj Auto** to form a 25:25:50 JV to launch an ultra low cost car ("ULC") costing under US\$2,000, in India and other markets by 2012. The ULC would compete against the *Tata Nano* launched by Tata Motors in 2009. Bajaj would be responsible for design, manufacturing and sourcing while Renault and Nissan would handle marketing in India and overseas. *November 11, 2009*

Reva Electric Car Company and US-based electric car company **Bannon Automotive** have formed an alliance to establish a 150,000 sq. ft. facility to assemble Reva's *NXR* range of electric cars in Syracuse, New York. Bannon has secured an exclusive North American licensing deal with Reva, and the two companies have agreed to invest US\$27m on the proposed facility. *October 22, 2009*

Reva Electric Car Company has formed an alliance with Icelandic investment firm **Northern Light Energy ("NLE")** to manufacture electric vehicles for the Icelandic market. Reva would establish an assembling plant in Iceland for its

NXR and *NXG* range of electric cars, while NLE would be an exclusive distributor of these vehicles in Iceland, the sales of which is expected to commence in 2011. The alliance is part of NLE's project to develop infrastructure and services for electric vehicles in Iceland by 2012. *November 12, 2009*

Shanghai Automotive Industry Corp ("SAIC") is in discussions with **General Motors India** to acquire 50% of GM India. GM already has an alliance with SAIC in China, which includes **Wuling Auto**. The proposed JV would produce Wuling series mini-trucks at GM India's plant near Pune. The JV provides GM India with access to cheaper auto components from China and expands GM India's product portfolio and market presence, while it will enable SAIC to establish its presence in India. *October 31, 2009*

Volith, a German manufacturer of diesel locomotives, hydropower equipment and paper machines, is in discussion with the Indian automaker **Tata Motors**, to form a JV to make diesel engines for locomotives. The JV would also include hydrodynamic retarders that are used to slow down high speed vehicles. Currently, Volith sources its diesel engine requirement from a Turkish manufacturer. The JV with Tata Motors would allow Volith to reduce its procurement cost of diesel engines by 35%. *October 19, 2009*

Japan

Carlisle Industrial Brake & Friction ("Carlisle Industrial"), a majority-owned

unit of **Carlisle Companies**, has acquired the remaining 51% of **Japan Power Brake (“JPB”)**, a Japanese manufacturer of high performance braking solutions for off-highway equipment, from its JV partner **Yokohama Rubber**, a Japanese tire manufacturer, for an undisclosed consideration. The acquisition provides Carlisle Industrial direct access to a sizable specialty brake and friction segment with on-site products and customer support for the local Japanese market. JPB and Carlisle Industrial share many of the same customers, product designs and end markets and now as an integrated unit will be able to work closely together to achieve strategic growth. Japan is also an attractive market for Carlisle Industrial as most global manufacturers of off-highway equipment are based in Japan. *October 1, 2009*

Nissan plans to form a JV with Japanese trading house **Sumitomo Corp** to recycle electrical car batteries. The JV, expected to commence operations in Q4 2010 in Japan and the US, is part of Nissan’s strategy to address a potential surge in demand for electric vehicles batteries. The JV would also recycle electric car batteries for energy storage for households and offices. *October 20, 2009*

Sanyo Electric, the Japanese electronics manufacturer, has signed an agreement with **TomTom**, a Netherlands-based manufacturer of navigation systems, to develop built-in car navigation systems for European and North American markets by 2010. The agreement is part of the two companies’ strategy to address the

fast growing demand for the built-in car navigation systems over the portable navigation systems. *September 16, 2009*

Showa Kinzoku Kogyo, an affiliate of Japanese automotive major **Showa Corp**, has acquired the Mooka plant of **Johnson Controls KK**, a Japanese automotive interiors manufacturer and a subsidiary of **Johnson Controls**, for an undisclosed consideration. Concurrently, **Tachi-S**, a Japanese seating systems manufacturer, has acquired certain assets of the Mooka plant from Johnson Controls KK for an undisclosed consideration. The divestment is part of Johnson Controls’ strategy to divest non-core assets. *September 25, 2009*

Korea

General Motors has increased its shareholding in its Korean subsidiary **GM Daewoo** from 50.9% to 70.1% for US\$412m by way of rights issue. Other shareholders in GM Daewoo include **Suzuki**, **SAIC** and **Korea Development Bank**. GM Daewoo designs and engineers various small and mid-size cars for GM. The proceeds from GM’s stake increase will be used for debt repayment and continued development work on new cars. *October 25, 2009*

Hyundai Heavy Industries, a Korean industrial company, has agreed to acquire 22% of subsidiary **Hyundai Corp**, a wholesaler of automobiles and metal products from **Korea Exchange Bank**, **Korea Development Bank**, and **Woori**

Bank for US\$90m. *October 14, 2009*

Hyundai Home Shopping Network, a shopping television channel and a subsidiary of **Hyundai Department Store Group**, acquired 7.7% of **Dae Won Kang Up**, a Korean manufacturer of automobile parts and accessories for US\$8m. *December 3, 2009*

Wonder Auto Technology, through its wholly-owned subsidiary **Jinzhou Halla Electrical**, has formed a 75:25 JV called **Jinzhou Wonder Teawon Dianzhuang (“Wonder Teawon”)** with **Teawon Dianzhuang Corp**, a Korean electromagnetic switch manufacturer. Wonder Teawon, expected to be operational by June 2010, will manufacture solenoid switches for automotive starters, alternator collector rings, starter commutators and other auto parts. *November 9, 2009*

Malaysia

Furukawa Electric, a Japanese diversified manufacturing company, has acquired a further 46% of **Permintex Industries Sdn Bhd**, a Malaysian manufacturer and wholesaler of wire harness, and a JV between Furukawa and Permintex Holdings Sdn Bhd. This transaction raises Furukawa’s interest to 51%. *August 11, 2009*

New Hoong Fatt Holdings Bhd has acquired **MJ Manufacturing Industries Sdn Bhd**, a Malaysian manufacturer of auto parts, from **Toh Teck Aun** and **Yee**

Sook Kueen. *September 9, 2009*

Volkswagen, the German automaker, is considering establishing a plant in Malaysia in partnership with **Proton Holdings**, a Malaysian automaker, in order to expand its presence in the Southeast Asian market. The planned facility would be Volkswagen's second plant in the region after its assembly plant in Indonesia, established in Q1 2009. *September 11, 2009*

an electric vehicle R&D center at the proposed "Green Energy Intelligent Vehicle Innovation Park" in central Taiwan in order to tap resources and manpower on the island for the faster development of electric cars. Chery's R&D center is expected to help Taiwan's makers of batteries, motors, and control systems gain better access to the China market. *November 20, 2009*

Taiwan

Chery Automobile, a Chinese automaker, has announced plans to establish

Selected Asian Auto Transactions with Multiples (12 months ending 9Dec09)

Announce Date	Target Name	Target Country	Acquirer Name	Acquirer Country	Deal Value	Acquisition Type	EV / EBITDA	EV / Revenue	P/E
30-Nov-09	Anhui Hualing Auto	China	Anhui Xingma Automobile	China	\$266.0	-	-	0.7x	23.1x
24-Nov-09	U-Shin	Japan	U-Shin	Japan	\$8.7	-	3.4x	0.3x	-
27-Oct-09	SL Corp	Korea	Stanley Electric	Japan	\$7.5	5.0%	2.5x	0.2x	-
14-Oct-09	Hyundai Corp	Korea	Hyundai Heavy Inds	Korea	\$89.6	-	12.1x	0.2x	44.9x
12-Oct-09	Dual Industrial	Korea	IHC	Korea	\$6.4	35.6%	-	0.5x	-
28-Aug-09	Hyundai Motor	Korea	Hyundai Mobis	Korea	\$1,073.5	6.1%	9.5x	0.8x	25.4x
31-Jul-09	Kanto Seat Work	Japan	Toyota Boshoku Corp	Japan	\$8.8	39.6%	-	0.1x	-
30-Jul-09	Shoei	Japan	Shoei	Japan	\$7.2	5.2%	-	0.9x	10.8x
16-Jun-09	Pacifica Group	Australia	Robert Bosch GmbH	Germany	\$6.0	23.4%	-	0.4x	-
29-May-09	Naikai Zosen Corp	Japan	Naikai Zosen Corp	Japan	\$20.0	24.6%	1.2x	0.1x	6.0x
23-May-09	Hunan Changfeng Motor	China	GAIG	China	\$154.6	-	-	1.1x	27.0x
28-Apr-09	Pioneer Corp	Japan	Honda Motor	Japan	\$25.9	-	-	0.3x	-
24-Apr-09	Denway Motors	HK	Denway Motors	HK	\$304.6	-	-	23.0x	10.0x
22-Apr-09	Geely Automobile Holdings	HK	Geely Automobile Holdings	HK	\$82.1	-	17.1x	1.2x	6.4x
16-Apr-09	Brilliance China Automotive	HK	Brilliance China Automotive	HK	\$29.4	-	-	0.4x	25.0x
27-Mar-09	Pusan Cast Iron	Korea	Seyum IM Corp	Korea	\$8.2	32.9%	7.1x	0.7x	6.2x
26-Feb-09	U-Shin	Japan	U-Shin	Japan	\$7.7	-	1.9x	0.2x	5.6x
13-Feb-09	Chongqing Changan Auto	China	Chongqing Changan Auto	China	\$227.3	-	75.1x	0.8x	351.3x
10-Feb-09	Shimano Inc	Japan	Shimano Inc	Japan	\$98.6	-	5.2x	1.1x	11.3x

Source: ThomsonOne

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

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