Driving for Success
A review of outbound Automotive M&A activity from China
August 2010
Executive summary

Chinese acquisitions of overseas Automotive assets have truly come of age following Geely’s US$1.8 billion acquisition of Volvo from the beleaguered US manufacturer Ford in March 2010. The deal saw Geely stump up US$1.6 billion in cash and US$200 million in the form of a note for the asset, which also saw Geely acquire the proprietary intellectual property rights of Volvo in what must have been a ground-breaking deal for not only Geely, but the sector as a whole.

Geely’s acquisition of Volvo comes as China’s Automotive sector stands on the cusp of a major sea-change. Chinese vehicle manufacturers are doing everything they can to reposition themselves as viable alternatives to the Mercedes Benzes and BMWs that are currently in favour with China’s increasingly affluent middle-class.

To this end, M&A acquisitions such as the aforementioned Geely/Volvo transaction, as well as Beijing West Industries’ US$100 million buy of the global suspension and brakes business of the Delphi Corporation, the bankrupt US business, have been undertaken by Chinese firms as they look to learn the tricks of the trade. As a result of this, outbound deal flow has risen dramatically since the beginning of 2009. Over the 2005-2008 period, Chinese Automotive players undertook just 12 purchases, worth US$1.3 billion. In stark contrast, 11 acquisitions, worth a cumulative US$2.5 billion, were conducted in the five subsequent quarters, highlighting the rapid rise of activity in this particular space.

Rising consumer demand for personal transportation aside, increasingly stringent clean energy legislation in China is also driving outbound deal flow. Indeed, BYD, the Chinese vehicle manufacturer, and Daimler have recently created a joint venture which will focus exclusively on developing an electric car for the Chinese market. At the same time, Shandong Fuping Electric Locomotive, the Chinese electric Automobile manufacturer, is reportedly seeking a joint venture partner for its hybrid electric cars business as it looks to expand its production line in order to sate rising demand.

However, while fundamental growth-drivers are certainly in place in China, cross-border acquisitions of Automotive businesses can – in the words of the Financial Times – ‘be counted on the fingers of one hand.’* Famous, multi-billion dollar transactions, such as General Motor’s tie-up with Saab, Daimler’s distressed buy of Chrysler, or Ford’s acquisition of ‘Volvo, some believe, have been immensely destructive in terms of value and acquisitive Chinese Automotive businesses would do well to heed the lessons learnt from these ill-fated purchases. Indeed, many Chinese players active in the MBA space are doing just that and are waiting to see the eventual outcome of the Geely/Volvo transaction before undertaking any buys themselves.

Regulatory directives also play a role in encouraging - as well as restricting - outbound deal flow. It was Chinese regulators who were reportedly responsible for Tengzhong Heavy Machinery’s failed attempt to take over General

*Premium car deal fills a hole at Geely,* Financial Times, 29 March 2010.
Motors’ (GM) Hummer brand, purportedly on the grounds that Hummer’s product line was not entirely in line with the country’s new green energy initiatives. However, other, less contentious transactions, do receive the blessing of the state, such as state-owned Beijing Automotive Industries’ reported US$200 million acquisition of the intellectual property for Saab’s 9-5 and 9-3 sedans, including engine and gear-box technology, as well as production equipment, in December 2009.

Obstacles aside, it is clear that the number of Chinese outbound acquisitions of foreign assets will rise over 2010 and 2011, primarily in order to access new technological know-how, as well as to move into new markets. And with foreign regulators having proved to be in an accommodative mood of late, albeit only with regards to the sale of smaller, non-strategic brands, Chinese Automotive players are certainly looking to be gearing up for a record-breaking year of deal-making abroad.

**Methodology**

Over the course of April - June 2010, Remark, the research and publications division of The Mergermarket Group, canvassed the opinions of 26 mainland China-based Automotive corporates. Respondents were asked to give their opinions on a number of issues, including the key opportunities and challenges that businesses in the sector face in the current trading environment. All answers were confidential and results have been reported in aggregate.
China M&A survey findings

Pre-qualifiers/respondent information

Has your business undertaken an M&A transaction over the past three years?

- Yes: 85%
- No: 15%

What will be your primary corporate strategy(ies) over the next 12 months?

- To grow operations organically: 65%
- To focus on a strategic merger or sale of the business: 23%
- To undertake a transformational acquisition of another company or asset: 23%
- To undertake a bolt-on acquisition of another company or asset: 15%

Percentage of respondents
(Respondents may have selected multiple answers)

If so, how would you rate its success?

- Very successful: 23%
- Successful: 73%
- Neutral: 4%

Overall, how do you now view your company’s prospects of achieving these corporate goals relative to six months ago?

- Significantly improved: 62%
- Improved: 23%
- The same: 15%
How would you rate China’s wider economic growth prospects over the next 12 months?

Overall deal drivers

China’s short-term economic future will be positive say the vast majority of respondents

97% of respondents believe that China’s economic growth prospects over the next 12 months are positive, of which, 35% suggest the outlook is very positive. Just 3% indicate that expansion will remain the same over the period. One bullish respondent explains, “Domestic demand is the main reason behind China’s immense growth over the past few years and this is likely to continue into the future.” Another comments, “With the volume of inbound investment into China increasing, industrial output and labour productivity will rise, generating further economic growth.”

What do you expect to happen to the overall level of M&A activity in the Chinese Automotive sector (inbound and domestic acquisitions of Chinese Automotive assets) over the next 12 months?

More than half of respondents expect that Automotive M&A in China will rise over the next year...

A total of 54% of respondents consider that M&A activity in the Chinese Automotive sector will either increase or increase greatly over the next 12 months, while a further 38% believe that Chinese Automotive M&A flows will remain the same. Just 8% suggest that Automotive sector transactions will decrease over the period.

Respondents point to a number of deal drivers in the Automotive space: “Chinese Automotive assets are now a major target for foreign investors, as the Automotive sector is getting stronger and its products are catching up with those of world leaders such as German vehicle manufacturers” one notes. Another indicates that China’s low production costs are another impetus. Elsewhere, a number of respondents suggest that government subsidies and initiatives will spur M&A activity, while another simply explains, “China’s Automotive sector is fragmented and consolidation is likely to occur in the near future.”
Half of respondents indicate that M&A will be driven primarily by activity in the personal Automobile manufacturing space

Half of the respondents expect the bulk of Chinese Automotive M&A over 2010/2011 will stem from the personal Automobile manufacturing space, while a further 31% think that the first-tier Automotive components subsector will dominate M&A transactions. Respondents are less positive on M&A activity in the tractor, truck & bus manufacturing arena with 11% expecting M&A activity in this particular field to lead over all other subsectors.

One respondent explains that personal Automobile manufacturing will witness the bulk of Automotive M&A activity because “large levels of consolidation activity are likely to occur over the next year in this space”. Elsewhere, another survey participant says that first-tier Automotive component activity will dominate because of an increased emphasis on cost-cutting among foreign Automobile companies. Lastly, another respondent expects that, “Tractor, truck & bus manufacturing M&A will rise due to the rapid expansion and modernisation of China’s Agricultural sector.”

In which sub-sector do you envision the bulk of this deal flow will stem from?
More than 50% of survey participants foresee rises in Automotive M&A valuations over the coming 12 months

A cumulative 57% of respondents expect that Chinese Automotive M&A valuations will rise over the next 12 months, with more than one-third predicting that deal prices will rise by more than 5%. A further 35% expect deal valuations to remain unchanged, while just 8% foresee a fall in Automotive sector valuations.

One optimistic respondent, who expects M&A deal prices to rise by more than 25%, points to the fact that share prices of Chinese Automotive companies have recently risen, which will result in higher M&A valuations. Another suggests that prices will rise because “valuations were down last year due to the economic crisis and are in the process of returning to long-term norms”. Yet another believes that Chinese Automotive companies’ valuations will rise because “they are increasingly looking to utilise technological best practices, which will ultimately add value to their products”.

Meanwhile, one respondent with a less sanguine view states that, “Automotive firms’ valuations will be highly volatile in the current market. Nobody knows how the future of the sector will pan-out and whether or not consumer demand will increase.”
Respondents expect to see greater private equity activity in the Chinese Automotive sector in the coming 12 months...

Private equity players are expected to increasingly compete for Chinese Automotive assets over the next year, say some 62% of respondents. However, a sizeable minority (38%) go on to suggest that private equity involvement in the sector will not rise. One such respondent explains, “Uncertainty is one motivator – private equity investors are simply unsure about the global Automotive sector at the moment,” while another remarks that, “Private investors will most likely be investing in other more attractive industries in China such as the Real Estate and Energy sectors.”

Do you think private equity players are increasingly going to target Chinese Automotive assets over the next year?

...Interest will likely stem from Asian-based players according to bulk of those surveyed

Of those who thought that private equity interest in Chinese Automotive sector acquisitions was likely to expand over the next year, a cumulative 63% of respondents believe that this would ultimately stem from Asia-based private equity funds. Of this proportion, 38% think that such interest will come from Chinese investors, while the remainder are likely to be situated across Asia.

One respondent mentions that, “Foreign investors are keen to invest in Chinese Automotive businesses as they realise the large growth potential the sector has, but face a lot of restrictions.”

If yes, do you think the bulk of this interest will stem from local or foreign private equity players?
Chinese Automotive M&A activity is expected to be primarily influenced by the drive to acquire technology

When asked what they think will be the most significant driver of M&A activity in the Chinese Automotive sector over the next 12 months, 31% of respondents say that the acquisition of know-how and technology is the most important, while a collective 70% cite this as at least a significant factor. One such respondent comments that the “Adoption of technological best practices is a major unique selling point within the Chinese Automotive space, and the inheritance of such processes is a major driver for any M&A deal.”

At the same time, a total of 62% suggest that entering a new market is also at least a significant factor determining an acquisition, with more than one-third believing that this is a very significant reason. Meanwhile, just 4% of respondents believe that the disposal of non-core assets is a very significant driver of Chinese Automotive M&A transactions.

More than half of respondents deem differences in management culture and regulatory factors as significant obstacles for Chinese Automotive M&A in the coming year

Respondents rank both regulatory factors and differences in management culture as the most significant obstacles impacting M&A in the Chinese Automotive sector over the next 12 months, with 54% in both cases, stating that these factors will be at least a significant impediment to deal flow. At the same time, 31% and 23% respectively cite them as the most important obstacles facing acquirers investing in Chinese Automotive assets.

One respondent elaborates, “When investing in Africa and Asia, the corruption rate is sometimes very high across the board and transparency is minimal.” However, his beliefs were not shared by the majority, with just a total of 20% highlighting bribery & corruption as important hurdles that needed to be overcome.
What do you think will be the three most significant drivers of M&A activity in the Chinese Automotive sector over the next 12 months?

- To acquire know-how/technology: [31% Most significant, 12% Very significant, 27% Significant]
- To enter into a new foreign market: [12% Most significant, 27% Very significant, 23% Significant]
- To achieve economies of scale: [35% Most significant, 19% Very significant, 4% Significant]
- To acquire a competitor/gain market share: [8% Most significant, 23% Very significant, 19% Significant]
- To benefit from the sale of distressed assets/corporate restructurings: [4% Most significant, 4% Very significant, 12% Significant]
- To benefit from low corporate valuations: [8% Most significant, 8% Very significant, 4% Significant]
- To acquire other intangible assets: [4% Most significant, 4% Very significant, 12% Significant]
- Non-core asset disposals: [4% Most significant, 4% Very significant, 12% Significant]

What do you believe will be the three most significant obstacles to M&A activity in the Chinese Automotive sector over the next 12 months?

- Management culture: [31% Most significant, 8% Very significant, 15% Significant]
- Regulatory factors: [23% Most significant, 12% Very significant, 19% Significant]
- Financial markets/macroeconomic instability: [12% Most significant, 19% Very significant, 15% Significant]
- Cost of leverage: [12% Most significant, 19% Very significant, 15% Significant]
- Exchange rate controls & currency convertibility: [8% Most significant, 19% Very significant, 12% Significant]
- Onerous environmental legislation: [8% Most significant, 19% Very significant, 12% Significant]
- Bribery & corruption: [8% Most significant, 4% Very significant, 8% Significant]
- Unwilling vendor/price dislocation: [8% Most significant, 12% Very significant, 8% Significant]
Outbound M&A activity

Half of those surveyed expect outbound Automotive M&A will be focused on acquisitions of European assets

Exactly half of respondents believe the majority of Chinese outbound bidders will target European assets over the next 12 months, while a further 38% suggest that Chinese buyers overseas will snap up North American Automotive businesses. Africa comes third in the rankings, with 19% of respondents thinking that the majority of Chinese Automotive investments abroad will occur there.

What do you think will drive such activity?

One respondent writes that South East Asia is the most likely region to witness the bulk of Chinese Automotive deal flow due to “Lower operating costs and the availability of cheap skilled labour”. Germany is also expected to see substantial amounts of deal flow due to its highly efficient and “Internationally-recognised Automobile sector utilising cutting-edge technology which Chinese manufacturers want”. Meanwhile, the Middle Eastern market of the United Arab Emirates is “Seeing rising demand there for small and cost-effective cars” a similar story to South America, where “Brazil and Mexico’s Automotive industries are expecting high consumer and industrial demand for Automotive products”. Finally, looking at potential deal flow between China and Russia, one respondent remarks that, “The recent strengthening of Sino-Russian relations, as well as economic cooperation between the two, have been good for cross-border acquisitions and this is likely to continue to favourably impact Chinese acquisitions in Russia.”

Which geography/region do you expect the bulk of China-based Automotive sector companies to undertake M&A acquisitions over the next 12 months?

“Germany has an internationally-recognised Automobile sector utilising cutting-edge technology which Chinese manufacturers want.”

Survey respondent
What type of transactions do you expect Chinese Automotive firms to undertake over the next 12 months?

- Joint ventures / strategic alliances: 58%
- Majority stake (>50%) acquisitions: 38%
- 100% stake acquisitions: 4%

Chinese joint ventures/strategic alliances expected to dominate outbound deal flow over 2010/2011

58% of respondents foresee that Chinese Automotive acquirers will focus on conducting joint ventures and strategic alliances abroad over the next year, while a further 38% expect to see majority stake acquisitions to occur most frequently.

Those who believe that joint ventures will predominate explain that, “Joint ventures are a relatively easy way of implementing expansion strategies, as they do not require major cash investments, reduce transactional risks and do not take up too much time.” Another notes that majority stake acquisitions will occur as “sellers are not likely to relinquish control of their holdings entirely.”

What are the most likely avenues Chinese Automotive businesses will take when looking to finance their acquisitions abroad?

- Cash: 54%
- Debt: 50%
- Stock: 46%
- IPO: 12%
- Other: 4%

Cash and debt deal financing will be the most likely financing methods for acquisitive Chinese Automotive businesses buying abroad

Over one-half of respondents believe the most likely financing avenue for Chinese Automotive bidders will be to fund any overseas purchases with either cash, debt or a combination of the two. A further 46% indicate that buyers could utilise share swaps in order to pay for an acquisition. One respondent elucidates that bank loans and stock options are the most likely means of financing, while another states, "Most Chinese Automotive OEMs are cash-rich. Furthermore, the government is also happy to give financial support."
Respondents remain positive on the role played by Chinese regulatory authorities during outbound acquisitions…

Some 46% of respondents believe that the role played by Chinese regulators during Chinese outbound Automotive M&A acquisitions is positive, compared to a combined 23% of those who disagree with these opinions. Meanwhile, a relatively large 31% believe that local regulatory frameworks have no impact whatsoever on deal-making.

“The Chinese government is very protective and does not easily approve cross-border transactions, which will have a negative impact on Chinese outbound M&A” one respondent said. Another respondent said that, “Except for the high taxes imposed on outbound investments, regulatory policies are not of particular concern.”

…a belief that is strongly echoed when considering the impact of foreign regulators on outbound buys

A combined 44% of respondents think that foreign regulators are a force for good when it comes to Chinese Automotive sector acquisitions abroad, with just 8% dissenting. At the same time, however, close to half remain undecided on the influence foreign regulators have over Chinese Automotive sector buys overseas.

One respondent is bearish on foreign regulators saying, “They will tend to focus on the safety standards of Chinese products, as well as to examine the implications of any such tie-up on the target’s antitrust regime.” Another similarly-minded respondent believes that tax and environmental regulations will prove onerous to Chinese bidders hunting overseas. On the other hand, bullish respondents state that governments will welcome Chinese acquirers with open arms as they simply need the investment and, at the same time, are also looking to promote their own brands within China.
In which deal size range do you expect the bulk of Chinese outbound Automotive M&A transactions to take place over the next 12 months?

Chinese acquisitions abroad will likely be worth more than US$250 million say the majority of respondents

A total of 68% of respondents expect Chinese Automotive sector acquisitions of foreign assets to be worth more than US$250 million with 44% foreseeing that such deals will be worth in excess of US$500 million. In contrast, just 8% believe that deal flow in this space will be dominated by purchases in the US$15 million-US$100 million space.

What lessons do you think Chinese OEMs will take away from Toyota’s recent product recalls?

The vast majority of respondents say that Chinese Original Equipment Manufacturers (OEMs) will look to improve overall product quality and develop formal recall programs

When asked whether or not Chinese OEMs would focus on improving the service quality of their products following the recent spate of recalls issued by Toyota, all respondents say that this was a pressing issue, with 82% suggesting that the best method to do this would be to employ better quality control measurement procedures. However, 18% believe that improving technological practices are actually the most effective way of doing this, with one stating that, “Toyota’s recalls were primarily a technology issue, so technological practices need to be improved.”
The lessons OEMs can learn from Toyota’s product recalls, according to respondents...

“Proper analysis of quality parameters, as well as ensuring that products produced adhere to international standards is key.”

“To improve brand value, Chinese OEMs should have venture partnerships with pioneer companies in order to improve technology and quality standards.”

“OEMs will learn that building a healthy and trustworthy relationship with the consumer is very difficult and takes years to mature.”

“The OEMs will now try to identify quality issues as early as possible. They might also toughen up their quality parameters.”
Respondents see increased demand for hybrids globally, but not in China

Interestingly, the bulk (69%) of respondents consider that global demand for hybrid vehicles will rise over the next two years, yet just 38% suggest that demand for such vehicles in China will increase.

This could be partly explained by looking at local vehicle demand from a cost perspective: “Demand is muted as hybrid vehicles are too costly” says one respondent. Another attributes the subdued appetite for such cars to the fact that Chinese Automotive companies do not have the drive, determination or business strategy to move into the hybrid vehicle business.

Do you think that global and Chinese demand for hybrid vehicles will rise over the next 24 months?

![Graph showing percentage of respondents]  

- **Global**: 69% Yes, 31% No  
- **China**: 38% Yes, 62% No

“Hybrid vehicle technology in China is still not of particularly high standard. Furthermore, such businesses need to improve and streamline their operations so as to regain consumer interest and confidence over the foreseeable future. At the moment, demand for such products is very low and I think this would remain the same over the near future.”

Survey respondent
Government is broadly doing a good job of supporting the development of an indigenous hybrid vehicle industry say respondents

62% of those surveyed believe that existing levels of government support for the hybrid vehicle industry is sufficient at this point in time while the remainder (38%) think otherwise.

Is this likely to change in the future?

46% of respondents expect the government to start ramping up its support for this particular subspace, with one remarking, "With the likely rise in demand for such vehicles, as well as the positive impact they will have on the environment, the government will have to increase its support for the development of hybrid vehicles. Tax holidays and direct investments into the technological aspects of the business will probably be the most effective methods."

Nonetheless, the cumulative majority (54%) of respondents are either unsure or disagree, with one stating that no change will occur "as the government is not taking the whole concept of hybrid vehicles very seriously." Another remains neutral, commenting that changes in government support depend very much on shifts in demand over the near future.
Respondents are split to some extent on Automotive players’ growth plans in emerging markets

Some 61% of respondents believe that Chinese Automotive players will look to undertake Greenfield investments in emerging markets, as opposed to M&A acquisitions abroad, as they look to increase market share overseas. A sizeable minority (39%) disagree or are unsure on the matter.

One respondent, who falls into the latter category, explains that, “Chinese companies have always lacked confidence and experience in such ventures, and I don’t think that they’ll start now following the financial crisis.”

The majority of respondents expect distressed acquisitions of North American and European Automotive assets to rise

Somewhat surprisingly, more than half (61%) of respondents believe that the level of distressed acquisitions undertaken by Chinese bidders for European and North American Automotive assets will rise over the next year. However, 39% disagree with one saying that as the economic recovery strengthens over 2010, Chinese acquisitions of distressed western Automotive assets will fall in frequency.

Do you think that Chinese Automotive businesses will increasingly look to exploit Greenfield opportunities in foreign markets as opposed to undertake M&A acquisitions there as a method of increasing market share abroad?

Over the next 12 months, what do you expect to happen to the level of distressed acquisitions undertaken by Chinese acquirers in Europe and North America?
An interview with Deloitte China’s Automotive sector Partner

Yi-Wen Qian, Automotive Sector M&A Partner for Deloitte China, envisions that Chinese bidders will continue to focus on North American and European Auto acquisitions over 2010 as they look to add core competencies to their service offerings, both at home and abroad.

M&A activity

Following the recent landmark US$1.8 billion acquisition of Volvo by Geely, the Hangzhou-based vehicle manufacturer, it would seem that Automotive sector players over the world are eagerly anticipating the next moves of their Chinese counterparts. Qian believes that acquisitive Chinese Automotive players will continue to focus on buying beleaguered foreign counterparts, going on to say that the credit crisis “Has provided unique opportunities for Chinese acquirers to snap up specialised Automotive-component manufacturers at knock-down prices”.

A quick look at recent outbound Automotive deals from China largely confirms her assessment. Four out of the top five largest outbound acquisitions conducted by Chinese buyers since Q1 2005 have been distressed M&A acquisitions, the three largest of these having all taken place post Q1 2009. Among these are the US$100 million acquisition of the global suspension and brakes business of the ailing Delphi Corporation to Beijing West Industries, as well as the US$500 million acquisition of a 50% stake in General Motors India Pvt, the Indian vehicle manufacturer, from GM, which entered into Chapter 11 bankruptcy proceedings in June 2009.

Qian expects that such distressed acquisitions will continue to drive outbound deal flow, although goes on to temper this by indicating that the bulk of activity will be focused on acquisitions within the Automotive component subspace – primarily because there are only a finite number of distressed Automotive sector OEMs for sale and most of them have, by now, changed hands. She considers that this predicted surge in activity will be driven by a desire to access technological know-how, as well as world-class brands, as Chinese OEMs – whether they are state-owned enterprises (SOEs) or private players – aggressively look to get ahead of their competitors, both abroad and at home. However, she warns against further transformational deals – such as Geely’s acquisition of Volvo, a deal which she herself has worked on – instead saying “Potential Chinese acquirers will adopt a wait-and-see approach before undertaking any further large-cap acquisitions, mainly because they will want to see if Geely can really add value through its buy of the Swedish marque.”

Automotive M&A valuations

Geely’s acquisition of Volvo aside, Qian suggests that it is likely that outbound Automotive M&A transactions over the rest of 2010 will continue to take place in the sub-US$100 million space, mirroring deal size trends over the 2005-H1 2010 period. Over that timeframe, 81.8% of all outbound transactions were valued at US$100 million or less, with not a single deal worth more than US$100 million coming to market between 2005 and 2008.

However, Qian is quick to point out that the lack of large-cap deal flow does not correlate to a lack of financing options – quite the opposite in fact. “SOEs active in the Automotive sector have access to Chinese policy banks that are looking to provide M&A financing to them at preferential rates. These loans are part of the Chinese government’s ‘go abroad’ policy which seeks to promote outbound M&A investments by providing tax incentives, low-cost capital and an easy passage through outbound regulatory
regimes to SOEs hunting for acquisition targets abroad," she explains. Meanwhile, private players, such as Geely, are increasingly partnering with international private equity firms as a way of obtaining funds to buy abroad. According to the Wall Street Journal, Geely’s Hong Kong-listed arm received US$250 million from the private equity arm of Goldman Sachs in September 2009 so that the company could expand its working capital and, ultimately, free-up capital for its parent to complete the takeover of Volvo.

Country splits

From a geographical perspective, Chinese Automotive bidders have tended to invest the bulk of their M&A war chests on European assets, with North American buys representing a surprisingly small proportion of the pie. Qian believes such a split will shift markedly over the coming months and years. “With local Automotive players looking to move up the value chain, both domestically and abroad, they will increasingly look to implement managerial and technological best practices across their operations. However the easiest method of acquiring these is to essentially import such practices from US and European firms,” Qian adds.

At the same time, Qian believes that Greenfield ventures, not M&A investments, are likely to dominate Chinese Automotive players’ movements into emerging markets, primarily because they are not looking to benefit from long-term partnerships, but rather implement a simple ‘manufacture and sell’ strategy which does not require conducting M&A.

Looking forward

Qian highlights two other factors which she believes will have a defining impact on the level of Chinese outbound Automotive M&A activity, namely the government’s recent raft of green initiatives, and foreign regulator’s attitudes to Chinese acquisitions in their jurisdictions.

Qian is not convinced that the Chinese government’s recent green initiatives will seriously impact levels of outbound M&A, believing Chinese Automotive OEMs are still lagging behind other, more developed, vehicle manufacturers in this regard, and remains reluctant to cite it as a major driving force behind outbound M&A investments over the short-term.

However, while some sector commentators believe that Chinese Automotive players are not as aggressive as their peers on the issue, they are all in agreement that Chinese regulators are. According to Qian, the same commentators believe that the much-publicised bid by Sichuan Tengzhong Heavy Industrial Machinery for Hummer, which was announced in the second half of 2009, was ultimately shot down by Chinese regulators because the deal flew contrary to the government’s ongoing green initiatives.

This particular transaction also showcases the lack of M&A experience afflicting Chinese Automotive players looking to acquire abroad. Prior to the deal’s collapse, it was reported that the bidders were unable to persuade banking syndicates of the deal’s viability. Moreover, they had not informed Chinese regulators of their intention to acquire Hummer – all of which goes to show that in the world of M&A, experience certainly counts.

Nonetheless, Qian thinks this is an issue which will ultimately be resolved over time: “After some false starts, we’ve now seen the completion of a multi-billion dollar acquisition of one of the world’s leading Automobile brands by a Chinese business. To this end, Chinese bidders are fast becoming much more qualified at conducting outbound transactions and this, I think, will prove to be a decisive factor in driving outbound Automotive M&A forward.”
Macroeconomic drivers of outbound Automotive M&A

Macroeconomic drivers

The Chinese Automotive sector has undergone a profound change over the past three decades, growing from a peripheral sector in 1979 to becoming the world’s largest single market for vehicles. Indeed, in 2009, the country produced a total of 13.8 million passenger and commercial vehicles, surpassing Japan to become the world’s largest Automotive manufacturer.

Furthermore, this is likely to increase dramatically over the foreseeable future. Sector specialists believe that, as a general rule of thumb, car sales should grow at 1.5 times the rate of GDP growth for any given market, although in China’s case it is clearly much faster with year-on-year growth of 48.3% in 2009 against GDP growth of 8.7% in the year. And with IMF forecasting 10% growth in 2010, Chinese Automobile sector expansion is forecast to skyrocket over the period.

**Chinese Automotive Production**

![Chinese Automotive Production Chart]

A number of factors have underpinned the vibrant expansion of the Chinese market. Firstly, the opening of the domestic Automotive sector to foreign investment in the early 1980s has been crucial in bolstering output capacity. Foreign Automotive firms have imported their managerial expertise and technological know-how into joint ventures with domestic counterparts, ultimately resulting in a vast expansion in the scope and scale of vehicles produced for the Chinese market.

Secondly, the government’s more recent aim to target sectoral consolidation and enhance competitiveness among larger merged entities, (as part of its 2004 industrial policy for the sector), has helped create larger and more efficient firms, both among state-backed and independent Automotive players. However, there is still scope for consolidation, with the Chinese authorities restricting permits for new plant installation in recent years, making M&A a principal route to gain scale and enhance output capacity.

Thirdly, Chinese households have enjoyed rising incomes in recent years, as well as better access to credit, leading to rising demand for passenger vehicles. Businesses, for their part, have also enjoyed improved credit access and robust demand conditions, most notably, during the global economic downturn, when the Chinese authorities undertook extensive fiscal and monetary stimulus measures to sustain demand in the domestic market. These measures helped avert a slump in the domestic Automotive market even as the sector suffered elsewhere in the world.

However, the Chinese Automotive sector is still in the relatively early stage of development and as such, has huge growth potential looking forward. Market penetration in China is remarkably low with an estimated 5% of the population owning cars, compared to over 80% in advanced economies like the US. Not surprisingly, Chinese Automobile production is principally aimed at supplying the domestic market with very few sales overseas. According to data from the China Automobile Association of Manufacturers, of the 10.4 million passenger vehicles produced in the
country in 2009, only 153,000 units – or 1.1% of the overall figure – were exported. Similarly, foreign passenger vehicles imported into the Chinese market in 2009 totalled a comparatively small 409,200 units.

Compared to China’s other manufacturing sectors, which are heavily dependent on sales to overseas markets, the Chinese Automotive sector remains relatively isolated from the global marketplace. In part, this reflects the different production and environmental standards for Automotive production in China compared to other key Automotive markets where they might be more stringent. Another hindrance afflicting China’s large producers – those most able to pursue international expansion – is the foreign joint venture model which is prevalent in this particular market. Chinese Automakers tied up in such arrangements, such as FAW Car, Dongfeng Motor, Shanghai Automotive, and Changan Automobile, commonly known in China as the Automotive Big Four, may encounter difficulties in exporting to markets where their joint venture partners are active and competing directly against them.

And while the joint venture model has underpinned the quick expansion in Chinese output capacity, thereby meeting the insatiable household and commercial demand for new vehicles in the local market, it has not yet yielded the home-grown R&D capabilities and technology transfer that state planners and Chinese Automotive executives had originally envisaged.

One China based Automotive consultant recently stated in the Financial Times, that “Chinese vehicle manufacturers still have to prove that their cars actually represent something more than just lower-priced alternatives to foreign-branded automobiles”, highlighting to good effect the extent to which indigenous producers are playing catch-up with foreign competitors.

### Top 10 Global Automotive manufacturers by Country, 2009

<table>
<thead>
<tr>
<th>Country</th>
<th>Passenger cars (units)</th>
<th>Commercial vehicles (units)</th>
<th>Total (units)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>10,383,831</td>
<td>3,407,163</td>
<td>13,790,994</td>
<td>48.3</td>
</tr>
<tr>
<td>Japan</td>
<td>6,862,161</td>
<td>1,072,355</td>
<td>7,934,516</td>
<td>-31.5</td>
</tr>
<tr>
<td>United States</td>
<td>2,249,061</td>
<td>3,462,762</td>
<td>5,711,823</td>
<td>-34.3</td>
</tr>
<tr>
<td>Germany</td>
<td>4,964,523</td>
<td>245,334</td>
<td>5,209,857</td>
<td>-13.8</td>
</tr>
<tr>
<td>Korea</td>
<td>3,158,417</td>
<td>354,509</td>
<td>3,512,926</td>
<td>-8.2</td>
</tr>
<tr>
<td>Brazil</td>
<td>2,576,628</td>
<td>605,989</td>
<td>3,182,617</td>
<td>-1.0</td>
</tr>
<tr>
<td>India</td>
<td>2,166,238</td>
<td>466,456</td>
<td>2,632,694</td>
<td>12.9</td>
</tr>
<tr>
<td>Spain</td>
<td>1,812,688</td>
<td>357,390</td>
<td>2,170,078</td>
<td>-14.6</td>
</tr>
<tr>
<td>France</td>
<td>1,821,734</td>
<td>228,028</td>
<td>2,049,762</td>
<td>-20.2</td>
</tr>
<tr>
<td>Mexico</td>
<td>939,469</td>
<td>617,821</td>
<td>1,557,290</td>
<td>-28.2</td>
</tr>
</tbody>
</table>

Source: China Association of Automobile Manufacturers (CAMM), http://www.caam.org.cn
**Top 10 passenger vehicle manufacturers by sales, 2009**

<table>
<thead>
<tr>
<th>Company</th>
<th>Vehicle sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIC GM Wuling</td>
<td>976,800</td>
</tr>
<tr>
<td>Shanghai Volkswagen</td>
<td>728,200</td>
</tr>
<tr>
<td>Shanghai GM</td>
<td>708,400</td>
</tr>
<tr>
<td>FAW-Volkswagen</td>
<td>669,200</td>
</tr>
<tr>
<td>Beijing Hyundai</td>
<td>570,300</td>
</tr>
<tr>
<td>Nissan</td>
<td>519,000</td>
</tr>
<tr>
<td>Chongqing Changan</td>
<td>518,500</td>
</tr>
<tr>
<td>Chery</td>
<td>500,300</td>
</tr>
<tr>
<td>BYD</td>
<td>448,400</td>
</tr>
<tr>
<td>FAW-Toyota</td>
<td>417,300</td>
</tr>
</tbody>
</table>

Source: China Association of Automobile Manufacturers (CAMM), http://www.caam.org.cn

Although the development of R&D and core technologies is undoubtedly a long-term process, there are a few steps Chinese Automotive firms can undertake to hasten the process. Companies can hire foreign expertise to organically develop technology, or they can purchase existing IT and technology from foreign competitors and suppliers. Beijing Automotive did as much last year, spending US$200 million purchasing technology and tooling assets from Saab Automobile, the Swedish carmaker, in order to produce earlier-model vehicles for the Chinese market.

Another approach is the acquisition of both human and productive capital through outbound M&A. With much of the global Automotive sector struggling through the recession and many prestigious foreign brands and assets coming to market, outbound M&A is particularly attractive for these Chinese firms. In this respect, there are many benefits for Chinese firms going overseas to acquire foreign firms.

Firstly, competition among OEMs at home in China is incredibly intense and thus outbound M&A is not only a means of acquiring foreign technology, knowledge, experience and expertise, but also of expanding into new markets and tapping new revenue streams. As far as outbound M&A can enable a Chinese car maker to increase production efficiency and cut costs while enhancing the quality of its product as well as the prestige of the brand, it can also help position the company more firmly for future growth at home. First-time buyers, as many in the Chinese market are, often look first at affordability and thus, it is imperative that firms boost productivity to achieve competitive prices.

Secondly, overseas M&A can help acquiring firms obtain knowledgeable and experienced staff, which is essential if they are to effectively manage global supply chains and international distribution networks. Such skills are an essential prerequisite if Chinese firms are looking to become efficient and lean producers and sellers of their own domestically-produced models in the future.

Meanwhile, for prospective foreign targets with strong brands, there is also the opportunity to grow their respective business in the Chinese market by being acquired by local manufacturers. For instance, Volvo Cars, before its acquisition, had a miniscule
presence in China, but will almost certainly see an upturn in its sales in this market in the future, particularly when production plants for its models are installed in the country.

The Automotive parts and components space is also fast developing in the Chinese market as the sub-sector develops, boosting demand for inputs and aftermarket products and services. Already, Chinese firms can compete internationally in the low-cost manufacturing of some parts and components and can thus grow organically to serve the domestic market and manufacturing products for export. However, outbound M&A will also play a role in this market segment as the sector becomes more globalised and Chinese firms increasingly look to take over foreign rivals.

**Chinese outbound Automotive investment case study - North America**

The potential for growth in the Automotive sector in China is massive. 2009 saw China overtake the United States in terms of Automotive sales to become the world’s largest Automotive market and sales are likely to grow by a further 15% in 2010, according to Xu Changming at the State Information Center of China. The main driver of this expansion in demand for vehicles is continued economic growth which has led to an increase in incomes and hastened a period of rapid urbanisation and infrastructure development.

With such strong growth fundamentals at home, it is perhaps remarkable that Chinese Automotive firms have been actively looking to broker outbound M&A deals in recent years. In this regard, the North American market has been aggressively targeted with six such deals being announced since 2005, worth an aggregated US$162 million. On the buy-side, such activity has been driven by a desire to create value and develop global reach through the acquisition of technological know-how, as well as leading brand names. Moreover, the global financial crisis also presented a unique opportunity for cash strapped OEMs elsewhere with Q4 2009 seeing the SAIC Group acquire a 50% stake in General Motors India from its US-based parent for a consideration of US$500 million. Prior to this deal, GM and SAIC had formed a joint venture investment company, based in Hong Kong, with the US company contributing two manufacturing facilities in India and, more tellingly, transferring a 1% holding in an existing joint venture, Shanghai General Motors Company, to SAIC, resulting in the company gaining majority control of the JV.

Looking ahead, further collaboration between North American and Chinese firms is likely, as the country continues to emerge as an important vehicle manufacturing hub. Such growth will drive a degree of outbound investment as firms look to increase quality, while larger players will also look to move up the value chain, primarily though acquisitions and the creation of joint ventures. Despite this, it is worth noting that a number of obstacles exist, including a lack of viable acquisition targets in the OEM space, meaning that the Automotive components sub-space should continue to witness the bulk of deal-making. Moreover, a number of would-be acquirers could hold off undertaking large-cap deals until the long-term success of the recent Geely/Volvo transaction can be properly gauged.

Given China’s dependence on oil imports, it is also foreseeable that domestic firms will become increasingly preoccupied with unlocking the huge potential of vehicles powered by green energy. Such a trend could depress outbound activity and China’s commitment to this is reinforced by the fact that domestic regulators recently refused to sanction Sichuan Tengzhong Heavy Industrial Machinery’s proposed acquisition of Hummer from GM, reportedly due to the fact that the iconic vehicle is highly fuel-inefficient. Indeed, over recent months, the beginnings of such a trend have begun including Shougan Corp, Tempo Group and the Chinese government acquire the Global Suspension and Brakes business of Delphi Corporation for a consideration of US$100 million. The divestment, announced in March 2009, was driven by Delphi’s need to raise capital after the company entered bankruptcy back in Q4 2005.

Chinese acquirers were also taking advantage of cash strapped OEMs elsewhere with Q4 2009 seeing the SAIC Group acquire a 50% stake in General Motors India from its US-based parent for a consideration of US$500 million. Prior to this deal, GM and SAIC had formed a joint venture investment company, based in Hong Kong, with the US company contributing two manufacturing facilities in India and, more tellingly, transferring a 1% holding in an existing joint venture, Shanghai General Motors Company, to SAIC, resulting in the company gaining majority control of the JV.

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to emerge with MidAmerican Energy Holdings, a subsidiary of US firm Berkshire Hathaway, acquiring a 9.89% stake in BYD Company, the rechargeable battery and Automotive manufacturer, for US$231 million. On this evidence, it would appear that investment flows between China and North America is becoming more of a two way street.

**Chinese outbound Automotive investment case study - Europe**

The relationship between Europe and China in the Automotive space has undergone a fundamental change over the past few years. While the 1990s were dominated by European Automotive manufacturers, Germans being chief among them, doing deals in China, the past decade has seen an increasing number of Chinese players looking back towards Europe in order to locate suitable targets. However, the factors influencing each of these acquisitions drives were fundamentally different, as were the ways in which buyers went about to executing deals in each of these eras.

Initially, in the 1990s, European buyers frequently undertook joint ventures with Chinese counterparts and spent time ‘getting to know’ the business, examining how it operated and fully evaluating the eventual outcome of such an acquisition. Only after a period of careful deliberation was a deal struck, with the European buyers being chiefly motivated by a desire to find a cheap manufacturing base. Unfortunately, the success of these deals was not always guaranteed because buyers found managing a business from afar, along with implementing suitable quality control processes, challenging at best.

In recent years, the direction of M&A activity has changed, with more and more Chinese companies scouting around Europe for suitable acquisitions. Many European Automotive components suppliers have been hard hit by the economic slump meaning that Chinese buyers are frequently able to snap up distressed assets at bargain prices, giving them cheap access to proprietary technology – a key deal driver of this particular trend. The most dramatic demonstration of this must be Geely’s aforementioned acquisition of the Swedish automobile maker Volvo. Volvo had languished under the ownership of global behemoth Ford until the credit crisis forced the Auto legend to re-examine its ownership of Sweden’s national car manufacturer and undertake a general re-appraisal of its European assets. Of crucial importance to the deal was Geely’s commitment to preserve Volvo’s existing manufacturing facilities in Sweden and Belgium, while exploring opportunities to manufacture Volvo vehicles in new production facilities to be built in China. For their part of the deal, Ford will continue to supply powertrains, stampings and other vehicle components to Volvo. Ford has also committed to providing engineering support, information technology, access to tooling for common components, and other selected services for a transitional period.

This deal is the biggest acquisition of a non-Chinese car maker by a Chinese company to date; it also marks China’s most significant move into the ownership of a big luxury brand – an important factor given that while Chinese car sales by volume are the highest in the world, the number of home-grown brands is limited.

Chinese Automotive investments into Europe have only recently begun to show any significant movement. Between 2005 and 2008, European buys made up 33% of all of Chinese outbound Auto investments by volume, while in terms of deal value, just 15% of Chinese Automobile manufacturers’ investments abroad was focused on Europe. However, over the 2009-H1 2010 period, these proportions had risen to 49% and 28% of their respective market shares.

This recent surge in Chinese Automotive acquisitions within Europe is perhaps not surprising given the above mentioned Geely/Volvo deal. And with BYD and Daimler, the German Automotive manufacturer, recently creating a 50:50 research and technology joint venture in order to develop an electric vehicle, sectoral deal flow between China and Europe is likely to rise over the foreseeable future.
### Historical data

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of deals</th>
<th>Value of deals (US$bn)</th>
<th>Percentage of deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6</td>
<td>13</td>
<td>21%</td>
</tr>
<tr>
<td>2006</td>
<td>13</td>
<td>24</td>
<td>36%</td>
</tr>
<tr>
<td>2007</td>
<td>15</td>
<td>15</td>
<td>56%</td>
</tr>
<tr>
<td>2008</td>
<td>15</td>
<td>14</td>
<td>48%</td>
</tr>
<tr>
<td>2009</td>
<td>23</td>
<td>6</td>
<td>60%</td>
</tr>
<tr>
<td>H1 2010</td>
<td>9</td>
<td>4</td>
<td>43%</td>
</tr>
</tbody>
</table>

---

**Chinese Automotive M&A activity**

- **Domestic**
- **Inbound**
- **Outbound**
- **Value (US$bn)**

---

**Deal type breakdown of Chinese Automotive M&A, volume**

- **Domestic**
- **Inbound**
- **Outbound**

Deal type breakdown of Chinese Automotive M&A, value

Deal size split of Chinese outbound Automotive M&A activity
Deal size split of Chinese outbound Automotive M&A activity, Q1 2005 - H1 2010

<table>
<thead>
<tr>
<th>Deal Size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;US$15m</td>
<td>50%</td>
</tr>
<tr>
<td>US$15m-US$100m</td>
<td>30%</td>
</tr>
<tr>
<td>US$101m-US$500m</td>
<td>5%</td>
</tr>
<tr>
<td>&gt;US$500m</td>
<td>15%</td>
</tr>
</tbody>
</table>

Geographic split of outbound Automotive M&A activity from China by volume, Q1 2009 - H1 2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>42%</td>
</tr>
<tr>
<td>North America</td>
<td>15%</td>
</tr>
<tr>
<td>Europe</td>
<td>10%</td>
</tr>
<tr>
<td>Rest of world</td>
<td>48%</td>
</tr>
</tbody>
</table>

Geographic split of outbound Automotive M&A activity from China by volume, 2005 - 2008

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>45%</td>
</tr>
<tr>
<td>North America</td>
<td>22%</td>
</tr>
<tr>
<td>Europe</td>
<td>33%</td>
</tr>
</tbody>
</table>

Geographic split of outbound Automotive M&A activity from China by value, 2005 - 2008

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>62%</td>
</tr>
<tr>
<td>North America</td>
<td>15%</td>
</tr>
<tr>
<td>Europe</td>
<td>15%</td>
</tr>
<tr>
<td>Rest of world</td>
<td>8%</td>
</tr>
</tbody>
</table>
"After some false starts, we’ve now seen the completion of a multi-billion dollar acquisition of one of the world’s leading Automotive brands by a Chinese business. To this end, Chinese bidders are fast becoming much more qualified at conducting outbound transactions and this, I think, will prove to be a decisive factor in driving outbound Automotive M&A forward."

Yi-Wen Qian, Automotive Sector M&A Partner, Deloitte China
# Top 10 Chinese outbound Automotive deals: Q1 2005 - H1 2010

<table>
<thead>
<tr>
<th>Announced date</th>
<th>Status</th>
<th>Target company</th>
<th>Target country</th>
<th>Bidder company</th>
<th>Bidder country</th>
<th>Seller company</th>
<th>Seller country</th>
<th>Deal value (US$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May-10</td>
<td>P</td>
<td>Denway Motors Ltd</td>
<td>Hong Kong</td>
<td>Guangzhou Automobile Group Co Ltd</td>
<td>China</td>
<td></td>
<td></td>
<td>3,293</td>
</tr>
<tr>
<td>Mar-10</td>
<td>P</td>
<td>Volvo Cars Corporation</td>
<td>Sweden</td>
<td>Zhejiang Geely Holding Group Company Ltd</td>
<td>China</td>
<td>Ford Motor Company</td>
<td>USA</td>
<td>1,800</td>
</tr>
<tr>
<td>Dec-09</td>
<td>P</td>
<td>General Motors Company (Manufacturing Facilities in India)</td>
<td>India</td>
<td>SAIC Motor Corporation Ltd</td>
<td>China</td>
<td>General Motors Company</td>
<td>USA</td>
<td>650</td>
</tr>
<tr>
<td>Dec-09</td>
<td>C</td>
<td>General Motors India Pvt Ltd (50% stake)</td>
<td>India</td>
<td>Shanghai Automotive Industry Corporation (Group)</td>
<td>China</td>
<td>Motors Liquidation Company</td>
<td>USA</td>
<td>500</td>
</tr>
<tr>
<td>Mar-09</td>
<td>C</td>
<td>Delphi Corporation (Global Suspension and Brakes business)</td>
<td>USA</td>
<td>Beijing West Industries Co Ltd</td>
<td>China</td>
<td>DPH Holdings Corporation (f/k/a Delphi Corporation)</td>
<td>USA</td>
<td>100</td>
</tr>
<tr>
<td>Jul-05</td>
<td>C</td>
<td>MG Rover Group Ltd</td>
<td>United Kingdom</td>
<td>Nanjing Automobile (Group) Corporation</td>
<td>China</td>
<td></td>
<td></td>
<td>87</td>
</tr>
<tr>
<td>Dec-08</td>
<td>C</td>
<td>Brilliance China Automotive Holdings Ltd (39.41% stake)</td>
<td>Hong Kong</td>
<td>Huachen Automotive Group Holdings Company Ltd</td>
<td>China</td>
<td></td>
<td></td>
<td>73</td>
</tr>
<tr>
<td>Sep-05</td>
<td>C</td>
<td>Benelli SpA</td>
<td>Italy</td>
<td>Qianjiang Group</td>
<td>China</td>
<td>Fineldo SpA</td>
<td>Italy</td>
<td>73</td>
</tr>
<tr>
<td>Sep-08</td>
<td>P</td>
<td>Midsouth Holdings Ltd (24.88% stake)</td>
<td>Singapore</td>
<td>Zhong Nan Holdings Ltd</td>
<td>China</td>
<td></td>
<td></td>
<td>46</td>
</tr>
<tr>
<td>Mar-09</td>
<td>C</td>
<td>Drivetrain Systems International Pty Ltd (Operations in Victoria and New South Wales)</td>
<td>Australia</td>
<td>DSI Holdings Pty Ltd</td>
<td>China</td>
<td></td>
<td></td>
<td>33</td>
</tr>
</tbody>
</table>

C = Completed; P = Pending
## Top 10 overall Chinese Automotive deals: Q1 2005 - H1 2010

<table>
<thead>
<tr>
<th>Announced date</th>
<th>Status</th>
<th>Target company</th>
<th>Target country</th>
<th>Bidder company</th>
<th>Bidder country</th>
<th>Seller company</th>
<th>Seller country</th>
<th>Deal value (US$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May-10</td>
<td>P</td>
<td>Denway Motors Ltd</td>
<td>Hong Kong</td>
<td>Guangzhou Automobile Group Co Ltd</td>
<td>China</td>
<td>3,293</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov-06</td>
<td>C</td>
<td>SAIC (six vehicle manufacturers and 15 auto parts enterprises); SAIC GM Wuling Automobile Co (50.1% stake); SAIC Motor Corporation Ltd (60% stake); Shanghai General Motors Company Ltd (30% stake); Shanghai Volkswagen Automotive Company Ltd (50% stake); Ss</td>
<td>China</td>
<td>Shanghai Automotive Co Ltd</td>
<td>China</td>
<td>Shanghai Automotive Industry Corporation (Group)</td>
<td>China</td>
<td>2,735</td>
</tr>
<tr>
<td>Mar-10</td>
<td>P</td>
<td>Volvo Cars Corporation</td>
<td>Sweden</td>
<td>Zhejiang Geely Holding Group Company Ltd</td>
<td>China</td>
<td>Ford Motor Company</td>
<td>USA</td>
<td>1,800</td>
</tr>
<tr>
<td>Jun-08</td>
<td>C</td>
<td>Shanghai Automotive Industry Corporation (23 auto components enterprises and other auto components related assets)</td>
<td>China</td>
<td>Shanghai Bashi Industrial (Group) Co Ltd</td>
<td>China</td>
<td>Shanghai Automotive Industry Corporation (Group)</td>
<td>China</td>
<td>1,101</td>
</tr>
<tr>
<td>Sep-06</td>
<td>C</td>
<td>Weichai Power A-Shares (71.88% stake)</td>
<td>China</td>
<td>Weichai Power Co Ltd</td>
<td>China</td>
<td>673</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec-09</td>
<td>P</td>
<td>General Motors Company (Manufacturing Facilities in India)</td>
<td>India</td>
<td>SAIC Motor Corporation Ltd</td>
<td>China</td>
<td>General Motors Company</td>
<td>USA</td>
<td>650</td>
</tr>
<tr>
<td>Jan-08</td>
<td>P</td>
<td>Zhejiang Yuantong Mechanical And Electrical Equipment (Group) Co., Ltd</td>
<td>China</td>
<td>Zhejiang Zhongda Group Co Ltd</td>
<td>China</td>
<td>Zhejiang Materials Industry Group Corporation</td>
<td>China</td>
<td>560</td>
</tr>
<tr>
<td>Dec-09</td>
<td>C</td>
<td>General Motors India Pvt Ltd (50% stake)</td>
<td>India</td>
<td>Shanghai Automotive Industry Corporation (Group)</td>
<td>China</td>
<td>Motors Liquidation Company</td>
<td>USA</td>
<td>500</td>
</tr>
<tr>
<td>Aug-08</td>
<td>P</td>
<td>Beiqi Foton Motor Company Ltd (Auman truck business) (50% stake)</td>
<td>China</td>
<td>Daimler AG; Daimler Northeast Asia Ltd</td>
<td>Germany</td>
<td>Beiqi Foton Motor Company Ltd</td>
<td>China</td>
<td>408</td>
</tr>
<tr>
<td>Nov-09</td>
<td>P</td>
<td>Harbin Dongan Auto Engine Co Ltd (54.51% stake)</td>
<td>China</td>
<td>Aviation Industry Corporation of China</td>
<td>China</td>
<td>AviChina Industry and Technology Co Ltd</td>
<td>China</td>
<td>395</td>
</tr>
</tbody>
</table>

C = Completed; P = Pending
End notes
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