

## Technology & Telecom Sector

1st Quarter 2008

### China Technology & Telecom M&A Quarterly

#### Highlights

- **Mobile TV IC provider Innofidei raised US\$10.0 million from BlueRun Ventures**  
Innofidei will use the proceeds for R&D on mobile TV ICs and system solutions as well as for operating capital
- **Parade Technologies, a fabless IC design company, raised US\$14.5 million from AsiaVest Partners, Intel Capital and Legend Capital**  
Parade Technologies will use the new funding for the marketing and development of DisplayPort and HDMI digital video interface technology and products
- **SK Telecom invested US\$14.7 million to acquire 65.5% of Shenzhen E-eye**  
This acquisition of the GPS terminal and telematics services provider enables SK Telecom to advance into the Chinese telematics market
- **Convergys Corp. acquired 100.0% of Shanghai Hong Xun Software**  
Shanghai Hong Xun, leading solutions provider for next generation services will expand Convergys' existing customer service management solutions
- **ADC Telecommunications acquired 100.0% of Century Man Communications**  
This acquisition broadens ADC's product offerings and provides ADC with a low-cost manufacturing facility

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## Introduction

The purpose of this report is to provide a summary of Technology & Telecom M&A and private placement activities in the first quarter of 2008, highlighting notable selected transactions that are relevant to venture capital, private equity, and strategic buyers/investors. We focus on both financial and strategic buyers/investors acquiring China assets and Chinese corporations acquiring overseas targets. Our review is broken down into the following seven major Technology & Telecom sectors:

- ♦ Semiconductor
- ♦ Network Equipment
- ♦ Telecom Equipment
- ♦ PCs, Terminals & Electronics
- ♦ Software & Solutions
- ♦ Outsourcing / Offshoring
- ♦ Telecom Services & Solutions

However, during the first quarter of 2008, there were no notable transactions in the Network Equipment and Outsourcing / Offshoring sectors.

## Semiconductor

Innofidei Inc., a provider of enabling ICs and system solutions for the China mobile TV broadcasting market, raised US\$10.0 million from BlueRun Ventures. Headquartered in Beijing with branch offices in Silicon Valley and Taipei, Innofidei provides customers with low-power and low-cost mobile TV chip products and solutions. The proceeds will be used for R&D and operating capital.

J&R Holding Ltd. acquired 100.0% of Weihai Aimhigh Electronic Co., Ltd. for US\$7.0 million. Weihai Aimhigh Electronic manufactures semiconductor and electronic components which include thyristors, triacs and diacs. In the year 2007, it had losses of US\$1.8 million.

Parade Technologies Ltd., a leader in digital interface technologies, completed its series B funding of US\$14.5 million from AsiaVest Partners, Intel Capital and Legend Capital. The proceeds will be used to accelerate the company's growth strategy, especially the marketing and development of DisplayPort and HDMI digital video interface technology and products.

### Selected Semiconductor Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 27, 2008	GSR Ventures	Panoval Technology Co., Ltd	NA	NA	NA	Develops ultra wideband wireless communications chipsets
Mar 5, 2008	BlueRun Ventures	Innofidei Inc.	10.0	NA	NA	Provides enabling IC and system solutions for the mobile TV broadcast market
Feb 28, 2008	Alpine Venture Capital, Crossbow Ventures, Velocity Interactive Group, Walden International	Celestial Semiconductor Inc.	1.0	NA	NA	Provides silicon-on-a-chip (SoC) and software solutions for DTV and IPTV applications
Jan 13, 2008	Shenzhen Sunlord Electronics Co., Ltd. [SZSE:002138]	Shenzhen CSG Electronics Co., Ltd.	17.2	100.0	17.2	Manufacturers LTCC components and modules used in the fields of telecommunication, computer and consumer electronics
Jan 10, 2008	J&R Holding Ltd.	Weihai Aimhigh Electronic Co., Ltd.	7.0	100.0	7.0	Manufactures semiconductors and electronic components including thyristors, triacs and diacs
Jan 9, 2008	AsiaVest, Intel, Legend Capital	Parade Technologies	14.5	NA	NA	A fabless IC design company, focusing on high-speed video interfacing and processing products

## Telecom Equipment

South Korea-based telecom operator SK Telecom invested US\$14.7 million to acquire 65.5% of Shenzhen E-eye High Tech Company Ltd., which manufactures GPS terminals and provides software platforms for logistics. This acquisition enables SK Telecom to advance into the Chinese market with its telematics technology and know-how. Following the acquisition, SK Telecom plans to sell GPS platforms to MNCs in China, set up a nationwide distribution network, and provide GPS and traffic information services.

Lenovo Group, Asia's second-largest maker of PCs, sold its mobile unit for US\$100.0 million to Jade Ahead, LEV Ventures, Ample Growth and Super Pioneer. Jade Ahead and Ample Growth, which are subsidiaries of Lenovo-controlled private equity firm Hony Capital, will hold 45.0% and 15.0% stake respectively. Lenovo Mobile reached a net profit of US\$4.0 million at the end of 2007.

ADC Telecommunications acquired 100.0% of Century Man Communication for US\$70.0 million. This acquisition broadens ADC's product offerings and provides ADC with a low-cost manufacturing facility.

#### Selected Telecom Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 26, 2008	Shenzhen Zhixiong Electronics Co. Ltd, Shenzhen Kejian Group Co. Ltd	China Kejian Corp Ltd.	NA	100.0	NA	Manufactures and markets mobile phones and accessories
Mar 20, 2008	Mr. Liu Tan	Neolink Communications Technology (Hangzhou) Ltd.	2.1	100.0	2.1	Engages in the design, production, marketing, and sale of radio trunking systems, and related hardware and software
Mar 13, 2008	Murchison Holdings Ltd [ASX:MCH]	Chongqing Toptrend Domo Limited	5.0	46.4	10.7	Engages in developing, identifying, engineering, producing, and marketing GSM mobile phones
Feb 15, 2008	SK Telecom Co. Ltd. [KOSE:A017670]	ShenZhen E-eye High Tech Co., Ltd.	14.7	65.5	22.5	Manufactures GPS terminals and provides software platforms for logistics applications
Feb 1, 2008	BYD Electronic (International) Co., Ltd. [SEHK:285]	Mirae Hungary Industrial Manufacturer Ltd.	22.7	100.0	22.7	Engages in the manufacturing of handset components and modules and assembly services for handsets to brand name vendors of handsets
Jan 30, 2008	Hony Capital, Hony III, LEV Ventures, Super Pioneer	Lenovo Mobile Communication Technology Ltd.	100.0	100.0	100.0	Engages in the R&D, production and marketing of mobile phones
Jan 29, 2008	China Zhenhua (Group) Science & Technology, Ltd. [SZSE:000733]	Kyocera Zhenhua Communication Equipment Co., Ltd.	NA	70.0	NA	Develops, manufactures, markets and services CDMA handsets and various other wireless telecom products
Jan 11, 2008	ADC Telecommunications [NasdaqNM:ADCT]	Century Man Communication Equipment Co. Ltd.	70.0	100.0	70.0	Shenzhen-based manufacturer and distributor of communication distribution frames
Jan 5, 2008	State Development and Investment Corp.	Datang Telecom Technology Holding Co., Ltd.	680.3	35.0	1,943.6	Manufactures and sells large-capacity SPC switches, access network equipment, telecommunication software, and communication cables

#### PCs, Terminals & Electronics

Motorola, Inc. acquired 100.0% of Zhejiang Dahua Digital Technology Co., Ltd, which is a developer, manufacturer, and marketer of digital television set-top boxes. The acquisition will expand Motorola's digital set-top box offerings in China and significantly improve Motorola's time to market in the region.

#### Selected PCs, Terminals & Electronics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 25, 2008	Motorola Inc. [NYSE:MOT]	Zhejiang Dahua Digital Technology Co., Ltd.	NA	100.0	NA	Engages in the manufacturing, marketing, research and development of digital television set-top boxes

#### Software & Solutions

Google invested US\$1.0 million in Comsenz, the provider and operator of Discuz. Discuz is currently one of the largest bulletin board systems in China.

CDC Software acquired 51.0% of Integrated Solutions Ltd. for an undisclosed price. CDC will leverage off of Integrated Solution's network with various Chinese manufactures and expand aggressively in this segment.

#### Selected Software & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 26, 2008	Sequoia Capital, Morningside Ventures, Google	Comsenz Inc.	1.0	NA	NA	Provides software solutions for social networking service providers
Mar 6, 2008	CDC Software	Integrated Solutions Ltd.	NA	51.0	NA	Hong Kong-based vendor of enterprise software applications for small to medium-sized manufacturers in China
Jan 3, 2008	Wealthy Growth International Ltd.	Enreach Information Technology (Shanghai) Co.	45.8	51.0	89.7	Engaged in the development of embedded software/solutions for TV equipment
Jan 2, 2008	UFIDA Software Co. Ltd. [SHSE:600588]	Shanghai TINET Co., Ltd., Shanghai Tanwang Software Co., Ltd.	2.0	100.0	2.0	Software developer for the property industry

#### Telecom Services & Solutions

In a strategic move to broaden its customer service management offerings, Convergys has announced that it will acquire 100.0% of Shanghai Hong Xun Software from BMI Asia Inc. Shanghai Hong Xun is a leading solutions developer for next generation services such as VoIP, SMS, Video-On-Demand, GPRS and MMS. This acquisition will be neutral and is expected to be accretive to Convergys' 2008 and 2009 earnings respectively.

Spanish telecom operator Telefónica acquired an additional 2.2% stake in Hong-Kong-listed Chinese fixed line operator China Netcom Group for US\$455.1 million. Upon the completion of this investment, Telefónica would increase its holding in China Netcom to 7.2%, which is part of the plan to raise its stake up to 10.0%.

#### Selected Telecom Services & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 13, 2008	Convergys Corporation [NYSE:CVG]	Shanghai Hong Xun Software Co., Ltd.	NA	100.0	NA	Develops and markets business management software solutions for telecom service providers
Feb 13, 2008	Daiwa Securities SMBC Principal Investments Co., Ltd.	Airway Communications International Holding Co., Ltd.	30.0	NA	NA	Wuhan-based provider of high-speed data communication service (WiMAX)
Jan 18, 2008	Telefonica Internacional, S.A.	China Netcom Group Corp. (Hong Kong) Ltd. [SEHK:906]	455.1	2.2	20,501.3	Provides broadband and fixed-line telecommunications services in China

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