

## Technology & Telecom Sector

1st Quarter 2007

### China Technology & Telecom M&A Quarterly

#### Highlights

- **iSoftStone Information Service Corp. Raises US\$45 million in Series B Financing**

Investment round into the Financial and Energy sector IT outsourcing services provider was led by Fidelity Asia Ventures.

- **Legend Silicon Raises US\$40 million in Series D Financing**

The investment led by Intel Capital will help Legend Silicon develop terrestrial DTV demodulation IC products.

- **Kingsoft Co. Ltd. (Japan) Receives US\$22 million from JAFCO**

The investment will help Kingsoft expand its sales of office software and services in the Japanese market.

- **Global Data Solutions Receives US\$20 million Investment in Series B Financing**

Global Data Solutions is the first Business Continuity & Disaster Recovery IT outsourcing company focusing on the financial industry in China.

- **China Mobile Acquires 88.9% in Paktel Ltd. for US\$284 million**

The acquisition gives China Mobile access to the fast growing mobile communications market in Pakistan.

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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 2007, 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 & Peripherals
- ◆ Software & Solutions
- ◆ Outsourcing / Offshoring
- ◆ Telecom Services

However, during the first quarter of 2007, there was no notable transaction in the Network Equipment and PCs & Peripherals sector.

## Semiconductor

In the Semiconductor sector, Legend Silicon, a fabless semiconductor company that develops technology and application-specific standard products (ASSP) for digital broadcasting and broadband transmission, completed a Series D financing round of US\$40 million. The 2 new technologies that Legend Silicon has already patented and brought to market, DMB-T (Digital Multimedia/TV Broadcasting-Terrestrial) and DMB-TH (Digital Multimedia/Television Broadcasting-Terrestrial/Handheld), were selected to form the backbone of the China DTV terrestrial standards.

Another notable transaction was Cirrus Logic's purchase of Caretta Integrated Circuits, a fabless integrated circuit (IC) design company based in Shanghai. The acquisition is expected to diversify Cirrus Logic's expertise in analog IC technology, providing them with a stronger long-term strategic position to grow in China.

### Selected Semiconductor Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 21, 2007	Intel Capital	Legend Silicon	\$40.0	na	na	Fabless semiconductor company engaging in the development of broadband wireless transmission technologies and products
Mar 7, 2007	QUALCOMM, Samsung Venture	AMEC	\$8.0	na	na	Develops and markets semiconductor processing products and solutions
Mar 5, 2007	Renesas Technology	Xi'an Rui-Wei Systems Technology	\$2.1	na	na	Embedded chips developer for household & automobile electronic digital products
Jan 5, 2007	Cirrus Logic [NASDAQ: CRUS]	Caretta Integrated Circuits	\$10.5	100.0%	\$10.5	Analog IC design company with expertise in power management

## Telecom Equipment

In the Telecom Equipment sector, as part of strategic partnership formation between PCT International and Andes Industries (the parent company of Andrew Corporation), PCT acquired Andrew Corporation's Yantai broadband cable facilities. The partnership enables the combined entity to deliver more compelling end-to-end solutions to cable multiple system operators (MSO) around the world.

The other notable transaction involved Chengdu-based NTS Technology, which secured US\$10 million from SAIF. The company offers integrated RF, fiber optics and microwave technologies in wireless transmission applications.

### Selected Telecom Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jan 22, 2007	PCT International, Inc.	Andrew Broadband Telecommunication (Yantai) Co., Ltd.	na	100.0%	na	Andrew Corporation's broadband cable manufacturing operations in Yantai, China
Jan 4, 2007	SAIF	NTS Technology	\$10.0	na	na	Provides 3G RF sub-systems

## Software & Solutions

In the Software & Solutions sector, Kingsoft's Japanese subsidiary received US\$22 million from JAFCO. Kingsoft held 10.5% of China's secure content management (SCM) market in 2005<sup>1</sup>, and currently is among the top 5 SCM solutions providers in Japan<sup>2</sup>. This investment from JAFCO will help Kingsoft expand sales of its word processing software (WPS) and Antivirus products in the Japanese market.

### Selected Software & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 7, 2007	JAFCO	Kingsoft Co. Ltd. (Japan)	\$22.0	na	na	Develops and markets office applications, anti-virus software, translation software and online gaming and retailing services
Feb 12, 2007	Gobi Partners	Inspiry Corporation	na	na	na	Provides 2D barcode technology and applications in China
Jan 9, 2007	e-Future Information Technology Inc. [NASDAQ: EFUT]	Nanjing TangCheng Network Technology Development Co. Ltd.	\$0.4	100.0%	\$0.4	A regional independent software vendor focusing on East China's retail market

## Outsourcing / Offshoring

In the Outsourcing sector, iSoftStone Information raised a US\$45 million round of financing led by Fidelity Asia Ventures. The new round of financing will help further strengthen iSoftStone's global reach and delivery capabilities, deepen and widen its vertical domain expertise, and accelerate its expansion into new business areas in information technology outsourcing (ITO) and business process outsourcing (BPO).

In another transaction during the quarter, Global Data Solutions (GDS) received a Series B investment of US\$20 million from the IFC, Softbank, and China Everbright. GDS currently has a near monopoly in the business continuity (BC) & disaster recovery (DR) business serving China's financial services industry. The investment will help GDS explore business opportunities in the Asia Pacific region and increase the company's market share in China's government sector.

Also in the first quarter, Tiger Management invested US\$20 million into the Longtop Group, one of top 3 financial services sector IT outsourcing companies in China.

In a notable outbound cross-border transaction, Chinese IT outsourcing company Hisoft purchased Envisage Solutions of the US. The acquisition provides Hisoft with strong specialist IT consulting capabilities. With Fortune 1000 clients throughout the US, Envisage Solutions is considered one of the premium experts in Oracle CRM and front office enterprise solutions.

### Selected Outsourcing / Offshoring Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 16, 2007	Fidelity Asia Ventures, Mitsui Ventures Global Fund, AsiaVest Partners, InfoTech Pacific Ventures	iSoftStone Information Service Corp.	\$45.0	na	na	IT outsourcing service provider in China, focused on FSI and energy sectors
Mar 14, 2007	IFC, Softbank, China Everbright	Global Data Solutions Ltd.	\$20.0	na	na	Leading IT outsourcing provider, focused on business continuity and disaster recovery
Feb 27, 2007	Hisoft	Envisage Solutions	na	100.0%	na	US IT outsourcing and consulting company
Feb 26, 2007	na <sup>3</sup>	Achievo Corporation	\$24.0	na	na	Global offshore software and information technology outsourcing provider
Jan 23, 2007	Tiger Management	Longtop Group	\$20.0	na	na	FSI IT outsourcing services provider

<sup>1</sup> IDC

<sup>2</sup> ASCII magazine

<sup>3</sup> Institutional and private investors

**Selected Outsourcing / Offshoring Transactions**

<b>Announcement Date</b>	<b>Lead Investor(s) / Buyer</b>	<b>Target</b>	<b>Transaction Value (US\$ mm)</b>	<b>%</b>	<b>Implied Valuation (US\$ mm)</b>	<b>Description of Target</b>
Jan 8, 2007	China National Software & Services Co., Ltd. [SHSE: 600536]	Hinge Global Resource Inc.	na	100.0%	na	Leading IT outsourcing company, focused mainly on FSI sector

**Telecom Services**

In the Telecom Services sector, China Mobile entered Pakistan’s mobile market by acquiring 88.9% of Paktel Ltd. As of September 2006, Paktel had 1.56 million subscribers, a 69% increase from December 2005. This represents approximately 3.5% of the Pakistan mobile communications market.

**Selected Telecom Services Transactions**

<b>Announcement Date</b>	<b>Lead Investor(s) / Buyer</b>	<b>Target</b>	<b>Transaction Value (US\$ mm)</b>	<b>%</b>	<b>Implied Valuation (US\$ mm)</b>	<b>Description of Target</b>
Jan 23, 2007	China Mobile [HKSE: 0941]	Paktel Ltd.	\$284.0	88.9%	\$319.6	Mobile operator in Pakistan

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