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# China Technology & Telecom M&A Quarterly

3rd Quarter 2008

## Quarter in Review

- There was a sharp divergence between hardware and software/services transactions this quarter, both in terms of the number of transactions and in the nature of the transactions
- Hardware related transaction volumes were down considerably, with only 5 notable transactions in the quarter, compared to over 10 in the 2nd quarter and over 15 in the 1st quarter.
- In addition, the Hardware related transactions that did occur all involved industry players making strategic moves, either making new acquisitions, or increasing positions in existing affiliates.
- By contrast, Software and Services related sectors continued to see a significant number of transactions, with a mix of both VC investments and strategic acquisitions.
- In summary, VCs are shying away from the relatively capital intensive hardware technology sectors but continue to invest in the more scaleable, less capital intensive software/services sector, while strategics continue to consolidate their market positions with acquisitions.

## Deal Highlights

- Francisco Partners backed Numonyx B.V. announced that it would purchase an additional 11% of its Wuxi based DRAM joint venture wafer foundry from Hynix Semiconductor, Inc. for US\$100 million
- Shanghai listed Datang Telecom Technology acquired a 35% stake in Uniscope Technologies for US\$22.1 million in order to enhance its cellphone capabilities
- Digital China Holdings Ltd, the country's largest IT products distributor and IT services provider, and Suzhou Ventures Group Co Ltd has set up a joint venture in Suzhou, in a bid to further expand its businesses in IT services and products

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## Introduction

Cowen Latitude Asia, the wholly-owned Asia subsidiary of Cowen Group, Inc. (NASDAQ: COWN), is one of Asia's leading growth sector focused investment banks providing directly, or through its affiliates, a full range of capital markets, M&A advisory and private placement services. The Firm specializes in the growth sectors of Alternative Energy, Consumer, Health Care, Industrial, Media, Technology, Telecom and Aerospace & Defense.

The purpose of this report is to provide a summary of Technology & Telecom M&A and private placement activities in the third 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 assets. Our review is broken down into the following eight major Technology & Telecom sectors:

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

During the third quarter of 2008, however, there were no notable transactions in the Network Equipment sector.

## Semiconductor

Numonyx B.V., the memory joint venture owned by STMicroelectronics, Intel and Francisco Partners, announced that it would purchase an additional 11.0% of its Wuxi based 300mm Dynamic Random Access Memory (DRAM) joint venture wafer foundry from Hynix Semiconductor, Inc. for US\$100.0 million. After the sale, Hynix's stake in the Wuxi plant will be reduced to 72.3% from the current 83.3%.

Samsung Electro-Mechanics Co., Ltd., an electric parts and components manufacturer under the Samsung Group, acquired a 95.0% stake in Unicap Electronics Industrial China Co., Ltd. for US\$20.4 million. Unicap Electronics is located near Shanghai and specializes in the production of circuit boards for liquid-crystal displays. Through the acquisition, Samsung Electro-Mechanics expects to increase its competitiveness in circuit board production.

### Selected Semiconductor Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 25, 2008	Numonyx B.V.	Hynix-Numonyx J.V.	100.0	11.0	909.1	A JV between Hynix and Numonyx in Wuxi producing dynamic random access memory (DRAM) chips used in personal computers
Sep 17, 2008	Samsung Electro-Mechanics Co., Ltd. [KOSE:A009150]	Unicap Electronics Industrial China Co., Ltd.	20.4	95.0	21.1	Designs, develops, manufactures and sells multilayered printed circuit boards (PCBs) and integrated circuit (IC) substrates

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

## Telecom Equipment

Shanghai-listed Datang Telecom Technology Co., Ltd, one of the leading communications technology providers in China, acquired 35.0% stake of UniScope Technologies (Shanghai) Co., Ltd. for US\$22.1 million. UniScope Technologies is one of the leading services suppliers of mother board and whole system designs based on CDMA and GSM technologies. Datang Telecom intends to enhance its cell phone business through this acquisition. The transaction values Uniscope Technologies at approximately 7.1x book value.

### Selected Telecom Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 28, 2008	Datang Telecom Technology Co., Ltd.	Uniscope Technologies (Shanghai) Co.,	22.1	35.0	63.3	Develops and makes motherboards and solutions for GSM and 3G mobile phones

**Selected Telecom Equipment Transactions**

[SHSE:600198] Ltd.

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

**PCs, Terminals & Electronics**

Elitegroup Computer Systems Co., Ltd., the world's leading motherboard, barebone system and notebook manufacturer, acquired the remaining 62% stake in Golden Elite Technology (Shenzhen) Ltd. that it did not own for US\$50.0 million.

One of Shenzhen-listed Shenzhen Kaifa Technology Co., Ltd.'s subsidiaries, Kaifa Technology (H.K.) Ltd., which manufactures and distributes Hayes products in Mainland China and Hong Kong, acquired a 15.0% stake in Shenzhen Kaifa Magnetic Recording Co., Ltd. for US\$14.3 million. Shenzhen Kaifa Magnetic Recording engages in the research, development, manufacturing and sale of hard disk substrates and is also a subsidiary of Shenzhen Kaifa Technology Co., Ltd.

**Selected PCs, Terminals & Electronics Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 21, 2008	Elitegroup Computer Systems Co., Ltd. [TSEC:2331]	Golden Elite Technology (Shenzhen) Ltd.	50.0	62.0	80.7	Produces and markets motherboards and other computer peripherals worldwide
Jul 22, 2008	Kaifa Technology (H.K.) Ltd.	Shenzhen Kaifa Magnetic Recording Co., Ltd.	14.3	15.0	95.1	Develops, manufactures and sells hard disk substrates

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

**Software & Solutions**

China Information Security Technology ("CIST"), a leading software and Geographic Information Systems solutions provider, announced that it will acquire 100.0% of Shenzhen Zhongtian Technology Development Co., a leading hospital related software solutions provider in the Guangdong Province, for US\$17.0 million. CIST believes that the acquisition of Zhongtian Technology and its patented Medical Case Statistics Software will enable the company to leverage its existing Residence Card application platform and information sharing capabilities to serve the growing demand for digital hospital and electronic medical record (EMR) systems in China. This transaction is expected to be accretive to CIST's 2009 earnings.

SAIF invested US\$15.0 million for a 11.5% stake in OTC-listed China TransInfo Technology, a leading traffic information provider in China. The proceeds will be used to expand the company's taxi GPS and advertising business across China and for potential strategic acquisitions. Subsequent to this transaction, the company obtained approval and started trading on Nasdaq on July 31, 2008.

**Selected Software & Solutions Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 10, 2008	DLB Capital, Jade Capital	Shanghai Harvest Network Technology Co., Ltd.	NA	44.0	NA	Provides mobile e-payment solutions via POS terminals at convenience stores

**Selected Software & Solutions Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 10, 2008	First Wilshire, Global Special Opportunities Trust [LSE:USPI], Lake Street Fund, Pope Asset Mgmt., Premier Asset Mgmt., Renaissance US Growth Invest. Trust PLC [LSE:RUG], RENN Capital Group, The USX China Fund	SinoHub, Inc. [OTCBB:SIHI]	7.5	18.0	41.2	Provides supply chain and inventory management solutions dedicated for the electronic industry
Sep 9, 2008	Beijing UFIDA Government Software Co., Ltd.	Sichuan Jincai Technology Development (Group) Co., Ltd.	NA	100.0	NA	Operates as a software vendor to government agencies
Sep 3, 2008	China Information Security Technology, Inc. [Nasdaq:CPBY]	Shenzhen Zhongtian Technology Development Co., Ltd.	17.0	100.0	17.0	Develops and sells information management software and solutions for hospitals
Aug 19, 2008	Voxeo Corporation	Micromethod Technologies	NA	100.0	NA	Develops IP communication software for IP telephony, messaging and conferencing
Jul 17, 2008	SAIF Partners	China TransInfo Technology Corp. [Nasdaq:CTFO]	15.0	11.5	130.4	Provides and broadcasts real-time traffic flow statistics and information in China

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

**Outsourcing / Offshoring**

Fidelity Asia Ventures invested US\$1.0 million in Shanghai-based Mine Loader Software Co. for an undisclosed stake. Mine Loader provides outsourcing services for development of video games on multiple platforms to Japanese, European and domestic game developers.

**Selected Outsourcing / Offshoring Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 19, 2008	Fidelity Asia Ventures	Mine Loader Software Co. Ltd.	1.0	NA	NA	Provides outsourcing services for development of video games on multiple platforms such as PS2, XBOX360, PSP, NDS and PC etc.
Aug 12, 2008	Inspur Group [SZSE:000977]	Wuxi Wantai Technology Co., Ltd.	NA	100.0	NA	Offers software outsourcing, server and enterprise resource planning solutions

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

**IT Services**

Digital China Information Technology Service (“DCITS”) is a joint venture founded by Digital China, Suzhou Ventures and its sister fund, Infinity Israel-China Fund. Suzhou Ventures will invest US\$73.1 million over a course of 2 years, while Digital China will inject its IT Services business and become the largest shareholder of the joint venture. DCITS will provide IT outsourcing, IT consultancy and software development for the financial, telecom and government sectors.

**Selected IT Services Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 18, 2008	Everbright Invest., IFC, Softbank China Venture Capital, Suzhou Ventures	Global Data Solutions Ltd.	45.0	NA	NA	Provides data hosting, monitoring and other disaster recovery and business continuity solutions
Sep 2, 2008	Infinity Israel-China Fund, Suzhou Ventures	Digital China Information Technology Services Co. Ltd.	73.1	NA	NA	Offers systems integration, software development and IT consultancy services
Aug 13, 2008	iSoftStone Information Service Corporation	Shanghai Jiefeng Information Technologies Co.	NA	100.0	NA	Provides enterprise application development services

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

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