

INTRODUCTION

This report provides an overview of Technology M&A and private placement activities in Asia in the second quarter of 2005 with a particular focus on Greater China transactions. The trend of outbound M&A activity, beginning with Lenovo's purchase of IBM's PC business in the first quarter, has gained momentum with notable transactions involving dispositions by Philips and Siemens to Greater China manufacturers. At the same time, consolidations continued in the Internet sector as well as platform acquisitions by multinationals to control sales and distribution channels in China.

HARDWARE

M&A activity in the second quarter continues to gain momentum with major transactions (greater than US\$100.0 million) more than doubling from 3 in the first quarter to 7 in the second quarter. Notable transactions include TPV Technology/Philips in the PC sector and BenQ/Siemens and Pantech & Curitel/SK Teletch in the telecom equipment sector.

PC and Peripherals

The most significant deal announced in the sector was TPV Technology Ltd's acquisition of Philips' monitor and flat-screen television unit in Taiwan. The US\$357.9 million deal also included the OEM sales offices of Philips in Europe, Asia, and the US. The acquisition will make Taiwan-based TPV the world's largest manufacturer of PC monitors. Also of note was Merix Corporation's purchase of Hong Kong-based Eastern Pacific Circuits Limited (EPC) for US\$128.0 million. The transaction is expected to provide a platform for Merix to support its existing customer base and to introduce technology to new customers in the Asian region while EPC will benefit from Merix's experienced management and workforce. Cost synergies will be achieved from the combination of quick-turn low volume capabilities in the United States with low-cost high volume operations in Asia.

Selected PC and Peripherals Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
June 16, 2005	TPV Technology Limited	Philips' monitor and flat-screen-television unit (Taiwan)	\$357.9	100.0%	\$357.9	Koninklijke Philips Electronics NV's CRT and LCD monitor and flat-screen TV business
June 7, 2005	SM Summit Holdings	Shanghai Huade Photoelectron Science & Technology Co., Ltd. (China)	\$1.7	49.0%	\$3.4	A Chinese optical disc manufacturer
May 19, 2005	Hon Hai Precision Industry Co	HP's computer-assembly plant in Australia	NA	100.0%	NA	HP's computer-assembly plant in Australia
April 14, 2005	Merix Corporation	Eastern Pacific Circuits Ltd (EPC) (Hong Kong)	\$128.0	100.0%	\$128.0	A Hong Kong based supplier of printed circuit boards

Electronics

Continuing the trend of buying U.S. brands and distribution channels, a consortium led by Singapore-based OSIM International bought Brookstone Inc. for US\$445.0 million. Separately, TDK Corporation of Japan has acquired Hong Kong-based Amperex Technology for US\$100.0 million. The acquisition was intended to provide TDK an operating base on which to develop technology in the field of energy, an area in which the company expects to see rapid growth.

Selected Electronics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
June 17, 2005	Merry Electronics	Huges Hi-Tech (Taiwan)	\$9.7	100.0%	\$9.7	A leading provider of Bluetooth solutions, including headsets, hands-free car kits, USB dongles, PCMCIA cards and office/home phones
June 1, 2005	TDK	Amperex Technology (Hong Kong)	\$100.0	100.0%	\$100.0	An HK-based specialist in manufacturing polymer lithium batteries. Production facilities located in Dongguan, China
May 10, 2005	Goldman Sachs Dragon Tech Ventures	Suntech Power (China)	\$80.0	100.0%	\$80.0	A Jiangsu-based manufacturer of solar cells
April 19, 2005	Pericom Semiconductor Corporation	AKER Technology Co., Ltd (Taiwan)	\$12.6	36.4%	\$34.6	Largest Surface Mount Device maker in Taiwan with production capability of 12 million units per month, and is a major supplier to SaRonix
April 15, 2005	OSIM International, JW Childs Associates LP, and Temasek Hldgs	Brookstone Inc. (USA)	Approximately \$445.0	100.0%	\$445.0	A retailer of massage chairs and other life-style electronics based in the US

Telecom

Similar to the first quarter, transactions in the telecom equipment sector in Greater China focused on companies involved in mobile handset production. According to International Data Corporation, growth in Asia's mobile industry was the fastest in the world, increasing 26.0% over the previous year. Of note was BenQ's acquisition of Siemens' handset unit for US\$430.0 million, which provides BenQ with a strong brand as it builds its own handset business and allows Siemens to exit an underperforming unit. Also of note was Pantech & Curitel's purchase of SK Telecom's handset manufacturing unit for US\$300.0 million.

Selected Telecom Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
June 7, 2005	BenQ	Siemens' Handset Unit (Germany)	\$368.4*	100.0%	\$368.4	Fourth largest mobile phone handset producer in the world, estimated to account 5.5% global market share
May 19, 2005	Foxconn Int't Hldgs	Chi Mei Communications (Taiwan)	\$79.8	56.5%	\$141.2	A handset maker based in Taiwan
May 17, 2005	TCL Communication Technology Holdings Ltd	Alcatel's stake in TCL and Alcatel Mobile Phones (China)	\$8.1	45.0%	\$18.0	The handset JV between Alcatel and TCL
May 12, 2005	Nortia Capital Partners	Holley Communications (China)	NA	Minority Stake	NA	A mobile phone handset OEM
May 4, 2005	Pantech & Curitel	SK Teletech (S. Korea)	\$300.0	60.0%	\$500.0	SK Telecom's handset manufacturing unit and leading mobile phone service provider
April 14, 2005	ECI Telecom	Optical division of Eastern Communications (China)	NA	100.0%	NA	Optical division of Eastern Communications, a leading telecom equipment provider, listed in the Shanghai stock exchange

* Siemens will provide BenQ with €250.0 million (\$307.0 million) to help fund the business, and later this year will pay €50.0 (\$61.4) million to buy newly issued shares in BenQ.

Semiconductor

The semiconductor industry is experiencing a cyclical downturn and chip prices remained weak throughout the second quarter. Sales of chip capital equipment are projected to decline in 2005, compared with a growth rate of 56.0% in 2004. The largest transaction in the sector was AMIS Holdings' acquisition of Flextronics' semiconductor division for US\$135.0 million. Through this acquisition, AMIS, parent of AMI Semiconductor, gained access to imaging sensors and application-specific integrated circuit products, as well as custom mixed-signal technology. Separately, Silicon Storage Technology purchased Actrans Systems Inc., a fabless IC design house in Taiwan.

Selected Semiconductor Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
June 15, 2005	AMIS Holdings Inc.	Semiconductor division of Flextronics (Singapore)	\$135.0	100.0%	\$135.0	A semiconductor producer specializing in custom mixed-signal products, imaging sensors and digital ASICs including FPGA conversion products
May 18, 2005	Asset Managers Group	Power Quotient International (Taiwan)	\$11.2	NA	NA	A memory module manufacturer based in Taiwan
April 12, 2005	Silicon Storage Technology	Actrans Systems Inc (Taiwan)	\$20.0 (Stock and Cash)	100.0%	\$20.0	A fabless IC company that designs flash memory and EEPROM

SOFTWARE and SYSTEMS

There were relatively few M&A transactions in the Asian software sector in the second quarter compared to the first quarter. Of note was Amdocs' purchase of China's Longshine Information Technology Co Ltd. for US\$30.0 million. The acquisition was expected to expand Amdocs' global presence and marks its entry into the Chinese market. Customers of Longshine should also benefit, as the company gained access to Amdocs' leading technology, global expertise, and financial strength. Meanwhile, the software sector in China is expected to grow under strong support from the Chinese government. On June 22, the Ministry of Information Industry announced that it is committed to helping domestic companies build their own brands in both domestic and overseas markets. Specifically, software multinationals will be encouraged to set up R&D centers in China and domestic companies will be encouraged to acquire internationally-adopted professional certifications to enhance their process management skills.

Selected Software & Systems Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
June 20, 2005	Amdocs	Longshine I.T. Co Ltd (China)	\$30.0	100.0%	\$30.0	A leading vendor of customer care and billing software in China
May 10, 2005	Xinjiang Urban Construction	Kunshang Fuchan Software (China)	\$1.0	61.5%	\$1.6	Software developer located in southeast Jiangsu Province, PRC
April 4, 2005	Nokia Growth Partners	Sasken Communication Technologies Limited (India)	\$3.0	NA	NA	Provider of software services, solutions in 3G wireless, broadband DSL, technologies, signal processing, and IC design

WIRELESS and INTERNET MEDIA

M&A activity in the mobile value-added service (MVAS) sector showed no sign of slowing down after a robust first quarter. Of note was the purchase of Go2Map Inc. by NASDAQ-listed Sohu.com Inc., one of China's leading online media companies. In a separate deal, HC International received US\$3.8 million in cash for the sale of its advertising subsidiary China Media Networks.

Mobile Value-Added Services

Platform consolidations continue to dominate this sector as the larger, publicly-listed companies have utilized the capital that they raised in their IPOs to snap up smaller rivals. After purchasing Hong Meng Broadcasting in the first quarter, MVAS player KongZhong acquired 100.0% of Tianjin Mammoth, a mobile game developer in China. In addition, the acquisition of iTouch by Forside.com, a leading Japanese mobile content provider, is the first and largest public takeover of a UK company by a Japanese corporation in a decade.

Selected Mobile Value-added Service Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
May 13, 2005	KongZhong	Tianjin Mammoth Technology Co (China)	NA	100.0%	NA	A well-known mobile game developer in China
May 11, 2005	Shanghai Yazheng Information Technology Co Ltd	Shanghai Cnnest Technology Dvlp Co Ltd (China)	NA	51.0%	NA	A leader in wireless 3G-based solutions and applications
April 29, 2005	For-side.com	iTouch (United Kingdom)	\$343.2	100.0%	\$343.2	A global provider of mobile, voice, and interactive services
April 4, 2005	IDG	Beijing Emay Softcom Tech (China)	\$10.0	NA	NA	Beijing based telecommunications value added service provider
Announced January 12, 2005	Linktone Limited	Beijing Cosmos Digital Technology (China)	NA	100.0%	NA	Beijing based 2.5G MVAS provider

Online Gaming

Of note in the online gaming sector was the partial sale of Tom Online's Indiagames to Cisco Systems and Macromedia. The move was seen as a way for Tom Online to position the India-based mobile games publisher for global growth. Linktone also made its first venture into online gaming in the second quarter, with its purchase of Brilliant Concept Investments Limited, the largest independent operator of casual games in China.

Selected Online Gaming Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
May 17, 2005	Linktone Limited	Brilliant Concept Investments Ltd (China)	Up to \$11.5	100.0%	Up to \$11.5	A developer and operator of online casual games in China
May 3, 2005	Gravity Co Ltd	Trigger Soft (S. Korea)	\$1.4	75.0%	\$1.8	Personal computer game developer
April 29, 2005	Cisco Systems & Macromedia	Indiagames (India)	\$4.0	18.2% Combined	\$22.0	A unit of Tom Online, and India's largest online game developer

Ecommerce

The sector underwent further consolidation in the second quarter as businesses continued their growth strategies via M&A. CNET Networks' purchase of PCHome was expected to significantly extend CNET Networks' online audience reach in China. In related moves last year, CNET Networks acquired ZOL and Fengniao, two leading personal technology Web sites based in Beijing. The combined acquisitions positioned CNET as a leading provider of personal technology content in China. Using similar expansion strategies this quarter, InterActiveCorp (IAC) has purchased Sina's Fortune Trip to solidify its presence as an interactive commerce company. IAC began by purchasing a controlling stake in eLong, a leading online travel service provider in China, in the first quarter before acquiring Sina's Fortune Trip via eLong in this quarter.

Selected Ecommerce and Other Online Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
June 1, 2005	IAC/eLong	Sina's Fortune Trip (China)	NA	100.0%	NA	Sina's hotel booking service processing about 250,000 hotel reservations through its network of 1,600 hotels in 2004
May 30, 2005	Metaphor Corporation	China Media Networks (China)	\$3.8 and 28.7% of Metaphor's outstanding shares	100.0%	\$4.4*	HC International's TV advertising subsidiary
April 22, 2005	CNET	PCHome (China)	\$11.0	90.0%	\$12.2	A leading personal technology and commerce website based in Shanghai
April 12, 2005	SOHU	Go2Map (China)	\$9.3 plus 2-year earn out payment up to \$2.5 million	100.0%		A China's leading online mapping service provider

* Based on Metaphor Corp's number of outstanding shares and share price at March 31, 2005

Latitude Capital Group is an Asian merchant banking firm, specializing in cross-border China M&A and private placements. We mainly focus on serving middle market and emerging growth companies in the technology, manufacturing, healthcare, logistics & distribution, and real estate sectors. Latitude Capital Group is headquartered in Hong Kong with offices in Beijing and San Francisco.

The information and statistical data herein has been obtained from sources we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to any change of our views. This is not a solicitation or any offer to buy or sell. Latitude Capital Group ("Latitude") has produced this report for private circulation only. All information and advice is given in good faith but without any warranty. Latitude, our affiliates or companies or individuals connected with Latitude, may have used the information set forth herein before publication and may have positions in, may from time to time purchase or sell, or may be materially interested in any of the securities mentioned or related securities.