

Technology & Telecom Sector

2nd Quarter 2007

China Technology & Telecom M&A Quarterly

Highlights

- **Lattice Power Raises US\$40 million in Series B Financing**
Lattice Power develops GaN based blue LED technology, an area of strong investor interest for lighting source applications.
- **China Greatwall Computer Acquires 10.3% of TPV Technology Ltd. for US\$145.8 million**
The strategic alliance secures the supply of displays to China Greatwall Computer and provides a stable customer for TPV Technology.
- **ChinaCache Raises US\$31.5 million in Series B Financing**
The investment will be used to enhance the company's CDN infrastructure and for technology development.
- **TCL Communication Technology Acquires 61.5% of JRD Communication for US\$39.3 million**
The acquisition is expected to strengthen TCL's R&D capabilities in mobile handsets and significantly reduce royalty payments to handset design firms.
- **CDC Software Acquires 2 Overseas IT Solutions Companies**
The acquisitions will expand CDC Software's breadth of industry applications and product offerings.

Beijing

Suite 11J Oriental Kenzo Plaza
48 Dongzhimen Wai Avenue
Beijing 100027, China
+86 (10) 8447 7398

Hong Kong

Suite 3518 Jardine House
One Connaught Place
Central, Hong Kong
+852 2973 5311

Shanghai

5F Crystal Century Tower
567 Weihai Road, Jingan District
Shanghai 200040, China
+86 (21) 6288 6555

info@latitudecapital.com
www.latitudecapital.com

Introduction

The purpose of this report is to provide a summary of Technology & Telecom M&A and private placement activities in the second 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 second quarter of 2007, there were no notable transactions in the Network Equipment sector.

Semiconductor

In the Semiconductor sector, Lattice Power raised US\$40 million in a Series B round of financing. Lattice Power offers proprietary silicon-based GaN blue LED lighting solutions that are significantly less expensive than those of its competitors. LEDs for lighting source applications is currently a field with strong investor interest and this investment into Lattice Power follows a US\$10 million Series A fund raising round in 2006.

Selected Semiconductor Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 19, 2007	NA	Lattice Power	40.0	NA	NA	LED developer
Jun 11, 2007	Ningbo Mingxin Microelectronics Co. Ltd.	Assets of STATS ChipPAC Ltd. [SGX: S24]	NA	NA	NA	Semiconductor assembly and test assets
May 16, 2007	BlueRun Ventures, Anxon International	3i Systems Corp.	6.5	NA	NA	TFT-LCD and related manufacturing equipment developer
May 10, 2007	Intel Capital, Warburg Pincus, Synopsys	Phoenix Microelectronics	NA	NA	NA	Mobile IC design company
May 1, 2007	LED International Holdings Limited [AIM: LED]	Kepu Electronic Technology (ShenZhen) Co., Ltd.	3.9	100.0	3.9	Engages in the R&D, production and distribution of self-branded opto-electronic products

Telecom Equipment

In the Telecom Equipment sector, Jeson Wireless received US\$6.5 million from Shanghai Science and Technology Investment, and Shanghai Zhongxin Technology Venture Capital. Jeson Wireless focuses on the design and manufacturing of cost effective, high quality wireless communications products, such as microwave devices, trunk amplifiers, and passive devices and components.

In another notable transaction in the second quarter, Photop Technologies raised US\$13.5 million from Walden. Photop Technologies is a developer and manufacturer of 4 major categories of photonics devices and components: Devices and Modules for Fiber Optic Communications, Lasers, Optics, and Crystals.

Selected Telecom Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 7, 2007	Shanghai Science and Technology Investment, Shanghai Zhongxin Technology Venture Capital	Jeson Wireless Ltd.	6.5	NA	NA	Wireless telecom equipment and components provider
Apr 27, 2007	Walden International	Photop Technologies, Inc.	13.5	NA	NA	China's leading photonics designer & integrated manufacturing company on fiber optics & optics, projection & display optics, laser, crystal material, and photonics products

PCs & Peripherals

In the PCs & Peripherals sector, China Greatwall Computer announced its intention to acquire a 10.3% strategic stake in Hong Kong listed TPV Technology. TPV Technology develops and manufactures CRT, LCD, and PDP displays, and currently has 28% of the global display market. The investment creates a strategic relationship that provides China Greatwall Computer with a source of displays and TPV Technology with a customer for its products.

Selected PCs & Peripherals Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
May 14, 2007	China Greatwall Computer Shenzhen Co Ltd. [SZSE: 000066]	TPV Technology Ltd. [HKSE: 903]	145.8	10.3	1,419.5	Designs, manufactures, and distributes computer and television displays

Software & Solutions

In the Software & Solutions sector, Kingdee International received a US\$16.7 investment from The China Investment Fund founded by IBM and Lehman Brothers. It is expected that along with the strategic investment, IBM will help Kingdee enhance its corporate governance and help it achieve its goal of becoming a global software company.

In another transaction during the quarter, PERA Global, the largest computer aided engineering (“CAE”) solutions and services provider in China, received US\$15 million from AIG. The investment will be used to improve the company’s operations and R&D efforts in order to further enhance its leadership in China.

Also in the second quarter, ChinaCache raised US\$31.5 million in its Series B round of financing. Currently, ChinaCache has 75% of the content delivery network (“CDN”) market, covering over 175 nodes in more than 50 major cities in China. The penetration rate of CDNs in China at present is only 5%, compared to over 90% in the US, so there is still tremendous growth potential. According to CCID, the overall CDN market size in China will be US\$300 million by 2009.

In a notable M&A transaction, Hong Kong listed TCL Communication Technology announced that it would take full control of JRD Communication through the acquisition of the remaining 61.5% it did not already own. JRD Communication mainly engages in the design and development of mobile handsets. In the increasingly competitive mobile handset industry, the acquisition boosts TCL’s R&D capabilities, allowing it to eliminate the outsourcing of product development and the royalty payments currently being made to 3rd party handset designers.

In 2 notable outbound M&A transactions, CDC Software acquired an information security company and a CRM company, based in Australia and the US respectively. The acquisitions are expected to broaden CDC Software’s solutions offerings in overseas markets.

Selected Software & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 11, 2007	WI Harper	Team and Concepts Ltd.	1.3	NA	NA	Hong Kong based company that develops EditGrid – an online spreadsheet technology
Jun 4, 2007	The China Investment Fund ¹	Kingdee International Software Group Co., Ltd. [HKSE: 268]	16.7	7.7	219.8	Provider of enterprise management software and e-Business application solutions
Jun 1, 2007	AIG	PERA Global	15.0	NA	NA	CAE software and solutions provider
May 1, 2007	CDC Software ²	Vectra	NA	Majority	NA	Australia based provider of information security consulting services, managed services and enterprise security solutions
Apr 25, 2007	Ignition Partners, Intel Capital, Investor AB, JAFCO, Qiming Venture, Starr International, Susquehanna Growth Equity, LLC	ChinaCache	31.5	NA	NA	Provider of Internet CDN solutions

Selected Software & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Apr 18, 2007	TCL Communication Technology Holdings Ltd. [HKSE: 2618]	JRD Communication Inc.	39.3	61.5	63.9	Engaged in the research, design and development of electronic and electrical, tele-communications, and IT products
Apr 17, 2007	CDC Software ²	Saratoga Systems	NA	100.0	NA	US based provider of CRM solutions for large, global enterprises

1. Founded by IBM and Lehman Brothers
2. Subsidiary of CDC Corporation [NASDAQ: CHINA]

Outsourcing / Offshoring

In the Outsourcing / Offshoring sector, the Japanese company Netage Group announced it would acquire 51% of Beijing-based IT outsourcing company Intersof, Inc. Intersof has performed numerous offshore systems development projects for major Japanese companies. The acquisition is an effort by Netage Group to expand aggressively its business in the offshore development market and will likely increase the number of large-scale systems development projects for Japanese companies operating in China.

In another notable transaction, Fidelity National Information Services acquired the financial services division of Lenovo-AsiaInfo Technologies. The sale of the financial services business will allow AsiaInfo to concentrate on its core businesses of telecom software solutions and IT security products.

Selected Outsourcing / Offshoring Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 19, 2007	Netage Group Inc. [TSE: 2497]	Intersof, Inc.	1.5	51.0	3.0	Offers offshore system development services
May 25, 2007	Beijing Jin-Feng-Hui Investment	Comexe	NA	NA	NA	Enterprise networking solutions and services outsourcing company
May 18, 2007	Fidelity National Information Services, Inc. [NYSE: FIS]	Financial services division of Lenovo-AsiaInfo Technologies	3.3 ¹	100.0	3.3	Provides IT services to the banking sector
Apr 5, 2007	State Street Corp.	Wang-Xin-Heng-Tian	0.6	49.0	1.3	Subsidiary of Insigma Technology, IT outsourcing company to mainly the US market

1. The maximum amount

Telecom Services

In the Telecom Services sector, China Mobile announced that it would take full control of Paktel by the acquisition of the remaining 11.1% that it did not already own.

Selected Telecom Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Apr 28, 2007	China Mobile Communications Group	Paktel Ltd.	NA	11.1	NA	Mobile operator in Pakistan

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Beijing

Suite 11J Oriental Kenzo Plaza
48 Dongzhimen Wai Avenue
Beijing 100027, China

Tel +86 (10) 8447 7398
Fax +86 (10) 8447 7396

Hong Kong

Suite 3518 Jardine House
One Connaught Place
Central, Hong Kong

Tel +852 2973 5311
Fax +852 2295 3979

Shanghai

5F Crystal Century Tower
567 Weihai Road, Jingan District
Shanghai 200040, China

Tel +86 (21) 6288 6555
Fax +86 (21) 6288 6585

info@latitudecapital.com

www.latitudecapital.com

 **LATITUDE**
CAPITAL GROUP