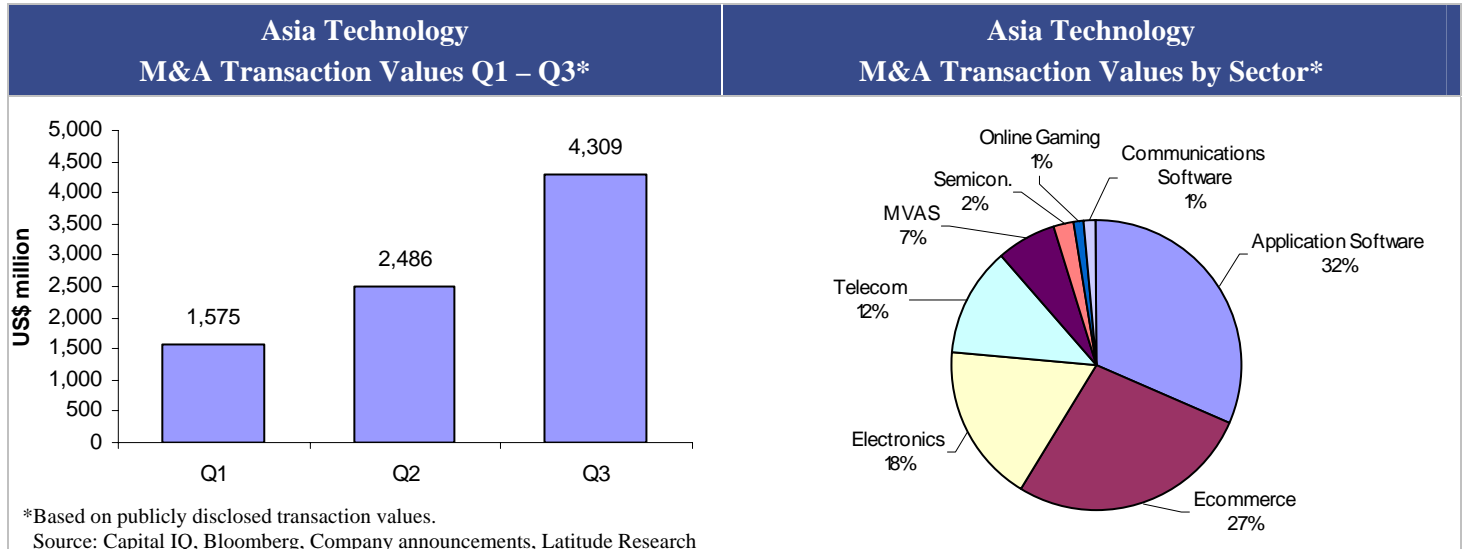


INTRODUCTION

This report provides an overview of Technology M&A and private placement activities in Asia in the third quarter of 2005 with a particular focus on Greater China transactions. Total announced transaction values in the third quarter increased significantly, recording a 73.3% increase from the previous quarter. Notable transactions involved acquisitions of Greater China targets by large multinationals such as Yahoo! and Oracle. At the same time, consolidations picked up momentum in the Software and Systems sector as M&A activities quadrupled over the second quarter.



HARDWARE

M&A activity remained at a similar level relative to the second quarter both in terms of the number of transactions and transaction values. Notable transactions included Johnson Electric Holdings' acquisitions in the U.S. and Switzerland in the Electronics sector and Spanish telecommunications firm Telefonica's entry into the Chinese Telecom Equipment sector.

Electronics

Continuing the trend of Greater China companies purchasing foreign companies observed in the previous quarters, Hong Kong-based Johnson Electric Holdings Ltd. made successive foreign acquisitions to strengthen its core business and to increase its reach into overseas markets. In its US\$74.6 million purchase of NASDAQ-listed circuit maker Parlex Corp., Johnson Electric acquired new capabilities in electronics and electronic assemblies, which the company expects to become important factors in the improvement of their electric motor systems products. In an unrelated deal, the acquisition of Saia-Burgess (for US\$640.9 million) provides Johnson Electric access to new products in its core automotive motors while also giving the company access to Saia-Burgess' customers in Europe.

Selected Electronics Transactions						
Announcement Date	Lead Investor(s) / Buyer (Location)	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
August 26, 2005	Johnson Electric Holdings Ltd. (Hong Kong)	Saia-Burgess Electronics Holdings AG (Switzerland)	\$640.9	100.0%	\$640.9	Supplier of stepper motors, switches, actuators, and electronic controllers in the automotive, industrial and infrastructure automation industry

Selected Electronics Transactions

Announcement Date	Lead Investor(s) / Buyer (Location)	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
August 10, 2005	Thomson SA (France)	TCL Multimedia Technology Holdings Ltd. (Hong Kong)	\$209.1 ¹	29.3%	\$713.7	Designer and manufacturer of multimedia consumer electronics and information technology equipment. Primary products include color television sets and home theatres
August 18, 2005	Johnson Electric Holdings Ltd. (Hong Kong)	Parlex Corporation (USA)	\$74.6	100.0%	\$74.6	Manufacturer of flexible circuits, laminated cables, polymer thick film circuits, and flexible interconnect hybrid circuits for the automotive, telecommunications, computer, military, medical, and home appliance markets in the U.S.
August 1, 2005	Apex Wealth Enterprises Limited (Hong Kong)	China Safetech Holdings Limited (BVI)	8,138,000	100.0%	\$20.3 ²	Manufacturer of security products and surveillance systems for government and public organizations, such as police departments, airports, and customs, in China
August 18, 2005	Techedge Inc. (China)	Communications unit of China Unitop Electronics (China)	NA	100.0%	NA	The Communications unit develops communication systems and deploys metro Wi-Fi networks in China

¹ Thomson exercised an option to exchange its interests in a JV between the companies with shares of TCL Multimedia. The transaction value is based on the average closing price of HK\$1.422 per share for 1,144,182,095 shares (29.3% of outstanding shares) for the 5 trading days prior to August 10.

² Stock transaction based on Apex Wealth Enterprises stock price of US\$2.5 as of September 30.

Telecom

Overall M&A activity in the telecom equipment sector slowed in the third quarter as the trend of acquiring stakes in mobile handset makers seen in the first half of the year stalled. Of note was Telefonica's purchase of a 3% interest in China Netcom, China's second largest fixed-line carrier, in July and the subsequent increase of this holding to 5% in September. The combined 5% stake in China Netcom for EUR418 million is seen as a move by Telefonica to expand its growth strategy in the Asia region. Also of note was the acquisition of DSTMedia Technology by NASDAQ-listed Polycom Inc. in a move for the audio and video-conferencing maker to extend its reach to Asian markets.

Selected Telecom Transactions

Announcement Date	Lead Investor(s) / Buyer (Location)	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
July 7, 2005	Telefonica Internacional SA (Spain)	China Netcom Group Corp. (Hong Kong) Ltd. (Hong Kong)	\$285.6 ³	3.0%	\$9,520.0	China's second-largest fixed-line carrier

³ Transaction was priced at EUR240 million, converted at the USD-EUR exchange rate of 1.19 as of July 7.

Selected Telecom Transactions

September 5, 2005	Telefonica Internacional SA (Spain)	China Netcom Group Corp. (Hong Kong) Ltd. (Hong Kong)	\$222.5 ⁴	2.0%	\$11,125.0	China's second-largest fixed-line carrier
September 29, 2005	Scientific-Atlanta Inc. (USA)	Outstanding shares of Scientific-Atlanta Shanghai (China)	NA	NA	NA	R&D service provider in digital technology including advanced encoding technology, digital content management, and access network platforms
August 24, 2005	Polycom Inc. (USA)	DSTMedia Technology Co. Ltd. (China)	NA	100.0%	NA	Developer and provider of IP voice, video and data communication and collaboration devices throughout Asia

⁴ Transaction was priced at EUR178 million, converted at the USD-EUR exchange rate of 1.25 as of September 5.

Semiconductor

Industry data released this quarter indicated that worldwide semiconductor sales increased by 6.5% in the first half of 2005 compared to the same period in 2004⁵. The Asia Pacific region in particular has experienced strong growth in semiconductor sales relative to the Americas, Europe, and Japan as it was the only region to have recorded a positive quarterly growth rate⁶. In light of this positive sentiment, financial investors were active as private placement activities dominated the semiconductor sector this quarter. China's third largest chip designer Actions Semiconductor Co. announced plans to raise US\$80 million through Series A funding from an investment consortium led by New Enterprise Associates, Intel Capital, and the Government of Singapore Investment Corporation. Separately, VeriSilicon Holdings Co. Ltd., a fabless IC design house in Shanghai, completed its Series B financing. Lead investors for the deal include Intel Capital, HSBC Private Equity, Legend Capital, and the IFC.

Selected Semiconductor Transactions

Announcement Date	Lead Investor(s) / Buyer (Location)	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
September 16, 2005 (Private Placement)	Government of Singapore Investment Corp., HSBC, Intel Capital, New Enterprise, Rim Asia Capital, Shanghai Industrial Holdings	Actions Semiconductor Co. Ltd. (China)	\$80.0 ⁷	NA	NA	China-based chip designer and developer of SOC VLSI products and total system solutions

⁷ Source: *VentureWire*, a unit of Dow Jones & Co.

⁵ Source: Semiconductor Industry Association.

⁶ Growth rates between Q1 and Q2 for APAC, Americas, Europe, and Japan are 3.0%, -2.2%, -7.7%, and -7.5%, respectively.

Selected Semiconductor Transactions

August 15, 2005 (Private Placement)	CID Equity Partners, Harbinger, HSBC, IDG, iGlobe Partners, Intel, IFC, KTB Ventures, Legend, and WI Harper	VeriSilicon Holdings Co. Ltd. (China)	\$13.5	Series B Financing	NA	A fabless and chipless application-specific integrated circuit design foundry. It provides semiconductor IP and design services, as well as manufacturing, packaging, testing, and delivery services
August 19, 2005	Ezconn Corporation (Taiwan)	Fiber Optics Division of Infineon Technologies AG (Germany)	NA	100.0%	NA	Developer of Bidirectional Transceiver and Optical Sub-Assemblies (OSA)
August 8, 2005	Power Analog Microelectronics Inc. (China)	MicroSilicon Technology Ltd. (China)	NA	100.0%	NA	The company focuses on advanced analog, mixed-signal and power management integrated circuits

PC and Peripherals

There were relatively few M&A transactions in this sector compared to the first and second quarters. Of note was California-based NeoPhotonics, a developer of integrated component solutions, which acquired Shenzhen-based Photon Technology Co. to expand its product offerings. The combined company is expected to provide a wide range of optical network components, including a line of active and passive modules which operate from the core to the edge of the network. The integration also created synergies for the companies, including lowered manufacturing costs and an enlarged client base.

Selected PC and Peripherals Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
August 5, 2005	Sparrowtech Multimedia Corporation (Canada)	Yuan Chien Computer Company Limited (Hong Kong)	NA	100.0%	NA	Manufacturer of computer main boards, memories cards, and VGA cards. Products include motherboards, LAN cards, keyboards, interface cards, display cards, modems, speakers and headphones
July 6, 2005	NeoPhotonics Corp. (USA)	Photon Technology Co. (China)	NA	66.7%	NA	Manufacturer of fiber-optic components and broadband optical transmission equipment in China

SOFTWARE and SYSTEMS

Overall transaction activity in the Software and Systems sector has undergone drastic growth as M&A activities quadrupled from the previous quarter. While the largest transaction value in the second quarter was reported at US\$30 million, the average transaction value this quarter, for the deals disclosing transaction values, was US\$164.4 million. Leading the way were U.S. software giants Oracle and Microsoft and Japan-based Access Co. Ltd.

Application Software and Systems

U.S. software giant Oracle expanded in Asia by taking a majority interest in Indian banking software concern i-flex Solutions, which is listed on the Bombay Stock Exchange, for US\$900 million. Banking is a strategic industry for Oracle as 9 out of the top 10 banks are running Oracle ERP applications. The purchase of i-flex is Oracle's overall application strategy to go beyond ERP into new industry-specific functionality. The purchase of i-flex immediately added 575 banks in 115 countries to Oracle's customer base. Asian companies were also active in making acquisitions this quarter. In an effort to expand its offerings for mobile devices, Japanese information-technology software developer Access Co. Ltd. has acquired PalmSource Inc. for US\$324.3 million. PalmSource is the developer of the Palm OS operating system and the company was spun off from NASDAQ-listed Palm Inc. in October 2003. Earlier in the year, PalmSource acquired China MobileSoft, a mobile phone software applications provider in China, for US\$16 million.

Selected Application Software & Systems Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
August 2, 2005	Oracle Corporation (USA)	i-flex Solutions Ltd. (India)	\$900.0	61.0% ⁸	\$1,475.4	One of India's largest financial software companies
September 9, 2005	Access Co. Ltd. (Japan)	PalmSource Inc. (U.S.)	\$324.3	100.0%	\$324.3	Developer of mobile device software and the Palm OS operating system
September 26, 2005	Microsoft Corp., IFC	Chinasoft International Ltd. (Hong Kong)	\$35.0	NA	NA	HK-listed software technology and service provider to mainly government departments in China
July 7, 2005	Microsoft Corporation (USA)	Langchao Group (China)	\$25.0	NA	NA	A leading China's IT company providing ERP and e-government software and services
September 28, 2005	Usen Corp. (Japan)	KLab Inc. (Japan)	\$8.8	18.6%	\$47.3	Mobile phone systems developer
August 22, 2005	Creo Co. Ltd. (Japan)	Chuositystem Corporation (Japan)	\$5.0	NA	NA	A Japanese application software developer
August 31, 2005	Technology Venture Holdings Ltd. (Hong Kong)	Acacia Asia Ltd. (Hong Kong)	\$1.7	100.0%	\$1.7	A provider of IT management and software services to property agencies in the PRC
September 19, 2005	Global Market Insite Inc. (USA)	Insight (China)	NA	100.0%	NA	Provider of online research software. The company also operates as an online sample supplier and software distributor
August 15, 2005 (Private Placement)	Intel Capital China Technology Fund, L.P.	OneWave Technologies Inc. (China)	NA	NA	NA	Developer of application development tools and systems integration services to communication companies

⁸ 41% to be purchased from Citigroup and up to 20% from public shareholders.

Internet Communications Software and Services

In the internet communications software and services sector, a common transaction theme revolved around voice over internet protocol (VoIP) service providers. eBay's US\$2.6 billion acquisition of Skype Technologies late in the quarter has dominated headlines throughout the world, but there were equally notable transactions in Asia. One week before closing the deal with eBay, Skype announced a strategic partnership with Hong Kong and NASDAQ-listed Tom Online to form a joint venture to develop a Chinese version of the Skype software to be delivered to internet users and service providers in China. In addition, Singapore-based MediaRing Ltd., a leading VoIP service provider in the region has secured a private placement of US\$14.5 from private equity firms Granite Global Ventures and NewSmith Capital Partners.

Selected Internet Communications Software & Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
July 6, 2005	Vantage Corporation Ltd.	Pacific Internet Ltd. (Singapore)	\$30.5	28.6%	\$106.6	An Internet communications service provider in the Asia Pacific region
August 26, 2005	Granite Global Ventures & NewSmith Capital Partners	MediaRing Ltd. (Singapore)	\$14.5	20.0%	\$72.5	A leading pure-play VoIP telephony service provider in Asia
September 28, 2005 (Private Placement)	Bessemer Venture Partners, Granite Global Ventures, Mobius Venture Capital, SAIF Partners	Beijing Blog Times Information & Technology Co. (China)	\$10.0	NA	NA	Owner of weblog-hosting site bokee.com and is based in Beijing
September 5, 2005	Tom Online (Hong Kong)	JV with Skype Technologies (China)	NA	51.0%	NA	A joint venture developing and distributing a Chinese version of Skype software and services to internet users and SPs in China

WIRELESS and INTERNET MEDIA

M&A transactions continue to gain momentum in the third quarter after a robust first half. Of note is the growing interest in Asia-based Mobile Value Added Service ("MVAS") providers, online gaming companies, and ecommerce companies from foreign financial investors. Of the 13 selected deals reported in this Quarterly, 7 consists solely of foreign private equity or venture capital firms.

Mobile Value-Added Services

Investors' confidence in the Chinese MVAS sector showed no sign of slowing down as China-based MVAS providers remained popular investment targets in the third quarter. A notable difference in the MVAS M&A deals between the second and third quarters is the increased interests from foreign investors. Monsternob Group PLC's US\$100 million acquisition of ATOP Century is the largest acquisition in this sector to date for the UK-based company. ATOP's 1.3 million mobile subscriber-base provides a strong foothold for Monsternob as it makes its China debut. Elsewhere in Asia, Telekom Malaysia has increased its stake in MobileOne Ltd. to 30% by purchasing an additional 12.1% in the company for US\$157.3 million. As Singapore's telecoms industry is more technologically developed relative to that of Malaysia, the deal promises synergies for the TM Group as it enables the company to tap into MobileOne's resources in terms of operational experience and product innovation. The deal with MobileOne marks the first Malaysian telecommunication company to venture into the city-state's telecom industry.

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
August 17, 2005	TM International Sdn Bhd & Khazanah Nasional Bhd (Malaysia)	MobileOne Ltd. (Singapore)	\$157.3	12.1%	\$1,300.0	A leading mobile communications provider and the first one to launch 3G service plans in Singapore
August 22, 2005	Monsternob Group Plc (UK)	ATOP Century Ltd. (China)	\$100.0 (stock and cash)	100.0%	\$100.0	A leading provider of value added mobile content services in China
August 16, 2005	Granite Global Ventures & Venture TDF	Oriental Wisdom Technology Development Co. (China)	\$8.0	NA	NA	Developer of wireless data communication technology and applications for the corporate sector
August 15, 2005	RRE Ventures, Accel Partners, Icon Ventures Asia & Lunar Group	SmartPay Jieyin Ltd. (China)	\$7.8	NA	NA	A Chinese mobile payment services company

Online Gaming

Of note in the online gaming sector was NASDAQ-listed The9 Ltd.'s purchase of the minority interests from China Interactive (Singapore) Pte Ltd in their joint venture, China The9 Interactive Ltd. ("C9I"). C9I holds an exclusive license from Vivendi Universal Games Inc. to operate *World of Warcraft* in mainland China and The9's move is seen as a vote of confidence in China's MMORPG market. Elsewhere in Asia, Japan-based Gungho Online Entertainment consolidated its presence in the Japanese gaming market by purchasing 19.5% of mobile network game developer G-mode Co. Ltd. for US\$34.5 million.

Selected Online Gaming Transactions

Announcement Date	Lead Investor(s) / Buyer (Location)	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
July 21, 2005	Gungho Online Entertainment (China)	G-mode Co. Ltd. (Japan)	\$34.5	19.5%	\$176.9	A developer and distributor of e-games for the mobile networks
August 30, 2005	Storm Ventures & Walden International	Com2uS (South Korea)	\$8.0	NA	NA	A leading developer and publisher of mobile games in South Korea
July 7, 2005	The9 Ltd. (China)	China The9 Interactive Ltd. (China)	NA ⁹	31.1%	NA	The operator of online MMORPG World of Warcraft

⁹ The purchase price was not disclosed, but it will be partially offset by the US\$10.6 million loans previously extended by GameNow, a wholly owned subsidiary of The9 Ltd., to China Interactive, plus all unpaid interest accrued up to the signing date of the definitive share purchase agreement.

Ecommerce

The most notable transaction in the third quarter in the Ecommerce sector was the strategic partnership between Yahoo! Inc. and Alibaba.com. Under the agreement, Yahoo! will contribute its China business to Alibaba.com and the combined entity will focus on key growth sectors of business-to-business e-commerce, consumer e-commerce, online payments, communications, and search. In addition, Yahoo! will invest US\$1 billion in cash to purchase Alibaba.com shares. The agreement gives Yahoo! an approximately 40% economic interest with 35% voting rights in Alibaba.com. Separately, buyout firms Oak Investment Partners and IDG invested US\$30.0 in Allyes Information Technology Co. Ltd., a provider of online marketing services in China. The placement in Allyes represents the largest investment into a China-based company by foreign venture capitalists. Also of note was the completion of up to US\$13.5 million equity financing by China Search Inc., owner of online search engine Zhongsou.com. China Search plans to inject new capital into Zhongsou in an effort to enhance its products and services in China.

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
August 11, 2005	Yahoo! Inc. (USA)	Alibaba.com (China)	\$1,030.0	40.0%	\$2,575.0	China's largest e-commerce company
September 9, 2005	Oak Investment Partners & IDG Technology Venture Investment	Allyes Information Technology Co. Ltd. (China)	\$30.0	NA	NA	An online Internet advertisement services provider in mainland China
July 13, 2005	Trader Classified Media N.V. (Netherlands)	Sofun.com Ltd. (China)	\$22.5	15.0%	\$150.0	A leading Chinese real estate information website
September 19, 2005	Rong International Investment Management Co. (China)	China-training.com (China)	\$17.0	NA	NA	A Chinese online career training service provider
August 19, 2005	Fidelity, IDG, Legend Capital	China Search Inc. (Hong Kong)	Up to \$13.5	61.1%	\$34.5 ¹⁰	Owner of China search engine Zhongsou.com
September 26, 2005 (Private Placement)	JAFCO Asia, Intel Capital, and Investor Growth Capital	ChinaCache Int'l Holdings Ltd. (China)	\$8.5	NA	NA	Leading CDN provider in China. Services include cost-efficient storage, delivery of Internet-based applications and interactive content to Internet enterprises and MNCs

¹⁰ Post money valuation, based on primary share placement only.

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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.

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