

Technology & Telecom Sector

4th Quarter 2007

China Technology & Telecom M&A Quarterly

Highlights

- Iomega Corporation to Acquire Shenzhen ExcelStor Technology Limited for US\$355.8 million

The acquisition will give Iomega a solid foothold in the China digital storage device market.

- Digital China Completes a US\$168.4 million PIPE Deal

SAIF led the investment, followed by Hony Capital, IDGVC, and KIL.

- Beijing Pypo Technology Group Raises US\$90 million from ARC Capital

Beijing Pypo Technology is a nationwide distribution company of mobile phones in China.

- ADC Telecommunications Acquires Century Man Communication Equipment for US\$70 million

The acquisition will considerably strengthen ADC's position in the China market.

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 fourth 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
- ♦ Networking Equipment
- ♦ Telecom Equipment
- ♦ PCs, Peripherals & Electronics
- ♦ Software & Solutions
- ♦ Outsourcing / Offshoring & Services
- ♦ Telecom Services & Solutions

However, during the fourth quarter of 2007, there were no notable transactions in the Telecom Services & Solutions sector.

Semiconductor

In the Semiconductor sector, VeriSilicon closed a fourth round financing of US\$20 million from an investor group led by China Investment Fund. So far, the company has raised US\$58 million since its inception in 2001. The funds raised will be used to accelerate the company's R&D of SoC (System-on-Chip) platforms and expand ASIC (Application Specific Integrated Circuit) turnkey operations internationally.

Selected Semiconductor Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 07	China Investment Fund, VantagePoint Venture Partners, Austin Ventures, Sierra Ventures, The CID Group, IDGVC	VeriSilicon Holdings	20.0	NA	NA	Operates as an application-specific integrated circuit design foundry
Oct 07	Sichuan Jiuzhou Group	Wuhan Diyuan Optic Electric Technology	2.7	10.0	26.6	Engages in the research, development, and production of high-power LED chips

Networking Equipment

In the Networking Equipment sector, Bain Capital and Huawei announced their intention to acquire 3Com for nearly US\$2.6 billion.

Selected Networking Equipment Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 07	Bain Capital, Huawei Tech Investment ¹	3Com Corporation (NASDAQ: COMS)	2,596.7	100.0	2,596.7	Leading communications networking and IT security solutions provider globally

1. Wholly owned subsidiary of Huawei Technologies

Telecom Equipment

In the Telecom Equipment sector, ADC acquired Century Man Communication, a leading player in the China communication distribution frame connectivity market, for US\$70 million. With the acceleration of 3G and FTTX deployments in China, the addition of Century Man will position ADC to capitalize on the expected increase in capital spending by telecom equipment and carrier customers on connectivity solutions. The company expects, after closing the deal, the revenue contribution rate and headcount percentage of China will grow to 4% and 13% from current 1% and 4%, respectively.

In another notable transaction this quarter, ARC Capital invested US\$90 million in Beijing Pypo Technology for 33% of the company. Pypo has sold more than US\$1.3 billion of mobile phones since its inception in 2004, and recorded US\$321 million in 2006 sales. In pursuit of higher asset efficiency and lower operating cost, Pypo will use the funds from ARC to consolidate several of its downstream partners engaged in the retailing of mobile phones in China.

Selected Telecom Equipment Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 07	ADC Telecommunications (NASDAQ: ADCT)	Century Man Communication Equipment Co. Ltd.	70.0	100.0	70.0	Leading provider of communication distribution frames in China
Oct 07	ARC Capital	Beijing Pypot Technology Group	90.0	33.3	272.7	China distributor of a global brand of mobile phones

PCs, Peripherals & Electronics

In the PCs, Peripherals & Electronics sector, Iomega acquired Shenzhen-based digital product developer ExcelStor for US\$355.8 million. Being a subsidiary of Hong Kong listed Great Wall Technology, ExcelStor made US\$707 million in 2006 sales. Iomega expects the combined company to make over US\$1 billion in 2007 sales.

Selected PCs, Peripherals & Electronics Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 07	Iomega Corp. (NYSE:IOM)	Shenzhen ExcelStor Technology ¹	355.8	100.0	355.8	Develops, manufactures, and markets advanced digital storage products and other electronic peripherals
Nov 07	Chang Da Technology Industrial	TCL Computer Technology	8.1	82.0	9.9	Engages in the production and sale of PC related products

1. Subsidiary of Great Wall Technology Company Limited [HKSE: 0074], who is an indirect subsidiary of state-owned China Electronics Corporation

Software & Solutions

In the Software & Solutions sector, China's leading PLM (Product Lifecycle Management) software and solutions provider, CAXA, received US\$10 investment from IDGVC. The company will use the fund to accelerate its R&D efforts and improve after-sale services.

Selected Software & Solutions Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 07	IDGVC	CAXA	10.0	NA	NA	A leading PLM (Product-Lifecycle Management) software and solutions provider in China
Nov 07	Beijing Shiji Information Technology (SZSE: 002153)	Infrasys (HK)	3.8	70.0	5.4	Point of Sales (POS) solution providers to leading hotels, restaurants, clubs and theme parks
Oct 07	Yongtai International Capital	Chongqing Yadeh Software	6.7	NA	NA	Principally engages in providing campus-wide information services, information system integrated service, and software outsourcing service for education industry, coal industry and software exportation
Oct 07	Beijing Yuxinyicheng Technologies	Recency Technology	3.3	100.0	3.3	Leading provider of business intelligence solution and consulting services to banks in China

Outsourcing / Offshoring & Services

In the Outsourcing / Offshoring & Services sector, an investor group led by SAIF bought nearly 43% of Digital China from Lenovo and General Atlantic.

Selected Outsourcing / Offshoring & Services Transactions

Announcement	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 07	Wuhan Jingyin Investment & Warrant	Wuhan Ruanxing Technology	1.3	NA	NA	Wuhan based IT chain store operator, provides IT equipment and software maintenance services
Oct 07	Fujian Guomai Technologies Inc. (SZSE:002093)	Heilongjiang Gammacom Communication	6.7	51.0	13.1	Engages in telecommunication scheme design consultancy, as well as network optimization
Aug 07	SAIF, Hony Capital, IDGVC, KIL	Digital China Holdings [HKSE: 861]	168.4	42.9	392.5	Distributes IT products and provides relevant system integration services

* * * * *

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.

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