

China Technology & Telecom M&A Quarterly

4th Quarter 2008

Quarter in Review

- As the global economic crisis began to take hold in the 4th quarter, VC/PE firms turned cautious, unsure of how the crisis would unfold and how it might affect both potential investee companies and their own existing portfolio companies. Instead, activity was dominated by domestic and international corporates making strategic acquisitions and investments
- VC investments in the quarter were generally concentrated in the software and solutions sub-sector, which saw investments in companies offering online/web based applications and solutions addressing the healthcare industry, an industry much in favor due to government reform initiatives
- Generally, VC investors continued to shy away from hardware for the 4th quarter. One exception was in LED, where there is strong interest due to the focus on energy efficiency from both the governmental and private sectors
- Overall, we expect these trends to continue with deep pocketed strategic investors becoming active as they take advantage of lowered valuations and companies with now uncertain futures and diminished prospects to make strategic acquisitions
- For VC/PEs, we expect increased selectivity with technology investments focused on expansion/growth capital, highly scalable and capital light business models or technologies that serve counter cyclical sectors such as healthcare or cleantech

Deal Highlights

- Datang Holdings acquired 16.6% of Chinese semiconductor foundry, SMIC, for US\$172.0 million, providing Datang with a strategic IC partner as it seeks to consolidate a leading position in the TD-SCDMA market in China
- Semiconductor capital equipment company, Advanced Micro-Fabrication Equipment Inc., raised US\$58.0 million in its third financing round, predominantly from existing investors
- Acorn International acquired branded mid-to-high end mobile handset producer, Yiyang Yukang Communication Equipment, for US\$55.7 million for its product pipeline and distribution capability
- Hits Telecom Holdings, a Kuwait-based provider of Internet, fixed and mobile telecom services in Liberia, Congo and Equatorial Guinea, acquired 30.0% of Chinese Telecommunications Co. ("Cinotel") for US\$60.0 million to expand in China
- Software maker Kingsoft took 30.0% stake in Chinese internet software developer Sky Profit and formed a strategic partnership with the company to enhance mutual promotion and expansion
- IBM acquired 20.0% of Qingdao-based Hisense Transtech Co., Ltd. for an undisclosed amount. The acquisition will strengthen IBM's traffic control and management capabilities

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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 fourth 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

However, during the fourth quarter of 2008, there were no notable transactions in the Network Equipment sector.

Semiconductor

United Business Media Limited (UBM), a UK-based business media company, acquired 100.0% of Sanguine Microelectronics Corporation, a Shanghai-based provider of integrated circuit reverse engineering services, for US\$17.5 million. The acquisition of Sanguine Microelectronics reflects the continuing strategic development of UBM's businesses in technical and market intelligence products and services. The transaction values Sanguine Microelectronics at approximately 4.4x 2008 revenues.

Datang Telecom Technology & Industry Holdings Co., Ltd. ("Datang"), the leader of China's self-developed "TD-SCDMA" 3G standard, invested US\$172.0 million into semiconductor foundry Semiconductor Manufacturing International Corporation ("SMIC") for a 16.6% stake in the company. The investment provides Datang with a strategic IC foundry partner as it seeks to build upon its TD-SCDMA expertise and secure a leading market position in the transition from 2G to 3G in China. SMIC was valued at approximately 1.3x 2009 revenues, 3.7x 2009 EBITDA and 0.32x book value, representing a 125% premium over the closing share price on the day prior to the announcement.

Beijing Taishi Xinguang Technology Co., Ltd., an LED manufacturer, raised US\$30.0 million from GSR Ventures and Northern Light Capital. The proceeds will be used for large scale industrialization of its proprietary high-brightness LED technology.

Shanghai-based Advanced Micro-Fabrication Equipment Inc. raised US\$58.0 million in a third round of financing for its semiconductor manufacturing equipment business. New investors, Shanghai Venture Capital and Shanghai Pudong Science and Technology Investment, joined existing investors in the round. Existing investors also participated in this round, including Walden International, Lightspeed Venture, Goldman Sachs, Redpoint Ventures, Global Catalyst Partners, Interwest Partners, Bay Partners, Qualcomm Ventures and KT Venture. The company will use the funding to focus its R&D on the company's Primo D-RIE and Primo HPCVD semiconductor etching equipment.

Selected Semiconductor Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 9, 2008	United Business Media Limited [LSE:UBM]	Sanguine Microelectronics Corporation	17.5	100.0	17.5	Provides integrated circuit (IC) reverse engineering services
Nov 10, 2008	Datang Telecom Technology & Industry Holding Co., Ltd.	Semiconductor Manufacturing International Corporation [SEHK:981]	171.8	16.6	1,034.9	Provides integrated circuit (IC) manufacturing services primarily in China
Oct 23, 2008	GSR Ventures, Northern Light Capital	Beijing Taishi Xinguang Tech Co., Ltd.	30.0	NA	NA	Manufactures and sells LED

Selected Semiconductor Transactions

Oct 22, 2008	Shanghai Venture Capital, Shanghai Pudong Science & Technology Investment, Bay Partners, Goldman Sachs, InterWest Partners, Redpoint Ventures, Walden International, Lightspeed Venture, QUALCOMM Ventures, Global Catalyst Partners, KT Venture	Advanced Micro-Fabrication Equipment Inc.	58.0	NA	NA	Offers wafer fabrication solutions for semiconductor manufacturers in Asia
Oct 6, 2008	Shanghai Alliance Investment Ltd.	Shanghai Longjing Microelectronics Co., Ltd.	6.0	NA	NA	Designs, develops, manufactures, and markets advanced SOC products, LCD drivers, SIM cards, and related hardware and software products and services

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

Telecom Equipment

Acorn International, Inc., an integrated multi-platform marketing company in China engaged in developing, promoting and selling consumer products and services, acquired 100.0% of domestic communication equipment producer and distributor Yiyang Yukang Communication Equipment Co., Ltd. for US\$55.7 million. The acquisition will provide Acorn a strong pipeline of mid-to-high end, branded mobile handset products as well as strengthen its existing distribution capability in China.

Selected Telecom Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 16, 2008	Benep Management Limited	Highway Bright Holdings Limited	NA	55.0	NA	Offers satellite and telecommunications products
Nov 20, 2008	Acorn International, Inc. [NYSE:ATV]	Yiyang Yukang Communication Equipment Co., Ltd.	55.7	100.0	55.7	Produces, processes and markets communication equipment, targeting mid-to-high end business users in China
Oct 17, 2008	RMD Entertainment Group Inc.	Beijing Innotrek Technology CO., Ltd.	1.0	100.0	1.0	Develops and manufactures broadband technology products in China

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

PCs, Terminals & Electronics

An investor group, comprised of Beijing Angzhan Property Co., Ltd. and Beijing Zhongxing Hongji Technology Co., Ltd., acquired a 28.9% stake in Fujian Start Computer Group Co., Ltd. for US\$53.9 million. Fujian Start Computer Group manufactures and sells computer and peripheral products and also offers computer software and technology consultancy services in China. The transaction values Fujian Start Computer Group at approximately 0.9x LTM revenues and 21.0x LTM EBITDA ending at September 30, 2008.

Selected PCs, Terminals & Electronics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Oct 8, 2008	Beijing Angzhan Property Co., Ltd.; Beijing Zhongxing Hongji Technology Co., Ltd.	Fujian Start Computer Group Co., Ltd.	15.6	28.9	53.9	Manufactures computers and peripherals

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

Software & Solutions

Kingsoft Co., Ltd. announced that it has acquired 30.0% of Sky Profit Ltd., an online gaming software developer, for US\$8.0 million. Sky Profit will issue preferred shares that are convertible at any time or be automatically converted upon a qualified public listing. Post transaction, the companies will establish a strategic partnership that will enable mutually compatible user registration and log-ons. In addition, Kingsoft will promote the installation of Sky Profit's software, while Sky Profit will embed Kingsoft's game channel buttons into certain client software.

Bao Feng Wang Ji Technology closed its series C financing round and raised US\$15.0 million from venture capital investors, Matrix Partners and IDG. The proceeds will be used for talent recruitment and video content partnership. Bao Feng has previously raised US\$3.0 million in March 2006 and US\$6.0 million in early 2007, both from IDG. According to company CEO, Feng Xin, Bao Feng has turned profitable by October 2008 and is expected to generate monthly profit of US\$0.7 to US\$1.4 million in 2009.

Selected Software & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 18, 2008	Kingsoft Co., Ltd. [SEHK: 3888]	Sky Profit Ltd.	8.0	30.0	26.7	Develops online game chat and other gaming related software applications
Dec 5, 2008	GGV Capital, Matrix Partners	Thayer Jinjiang Interactive Corp. Ltd. (aka HUBS1)	NA	NA	NA	Provides Web-based platform that enables real time centralized reservation, distribution and management for the hospitality industry
Nov 26, 2008	Matrix Partners, IDG	Bao Feng Wang Ji Tech.	15.0	NA	NA	Operates Baofeng.com, which provides online video encryption applications and delivery services for content distributors and video portals
Oct 28, 2008	Intel Capital	Viewhigh Technologies Ltd.	NA	NA	NA	Leading operation management solutions and services provider for China's healthcare institutions
Oct 13, 2008	Vision Opportunity China Fund Ltd [AIM: VOC]	China Information Security Technology, Inc. [Nasdaq: CPBY]	4.4	NA	NA	Provides digital information security solutions, Geographic Information System platforms and information management systems for the healthcare sector in China

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

Outsourcing / Offshoring

On December 23, 2008, Armarda Group Limited ("Armarda") announced the acquisition of the remaining 20.0% of Brilliant Time Ltd. (the "BTL") for US\$3.5 million. As a result, BTL will become a wholly-owned subsidiary of Armarda. Armarda is a professional services provider that focuses on serving the banking and financial services industry with operations in Beijing and Zhuhai, as well as a network of service depots throughout China for its IT consulting business. BTL provides information technology system integration services to the banking and telecommunication industries in China. The acquisition of BTL provides Armarda with access to the fast growing rural co-operative banks in China.

Selected Outsourcing / Offshoring Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 23, 2008	Armarda Group Ltd. [SGX:5EK]	Brilliant Time Ltd.	3.5	20.0	17.5	Provides IT consulting and IT support services

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

Telecom Services & Solutions

Hits Telecom Holdings, a Kuwait-based provider of Internet, fixed and mobile telecom services in Liberia, Congo and Equatorial Guinea, acquired 30.0% of Chinese Telecommunications Co. ("Cinotel") for US\$60.0 million as part of its expansion strategy into China. Hits Telecom expects further growth in the telecommunication sector and plans to increase its stake in Cinotel to 55.0% within a year.

Selected Telecom Services & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 5, 2008	Hits Telecom Holding Co.K.S.C.C [KWSE:HITSTELEC]	Chinese Telecom. Co.	60.0	30.0	200.0	Operates 32,000 km of fiber optic network in China, which carries sound and data to banks, telecoms and other information centers
Nov 3, 2008	BIG Media Group Limited [SEHK:8167]	China Shenzhou Telecom. Co., Ltd.	NA	100.0	NA	Provides prepackaged software and wireless Internet facilities services in China

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

IT Services

IBM acquired 20.0% of Qingdao-based Hisense TransTech Co., Ltd. for an undisclosed amount. The acquisition will strengthen IBM's traffic control and management capabilities. IBM is currently collaborating with cities such as London, Stockholm, Singapore and Brisbane to resolve their respective traffic congestion related problems.

Selected IT Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Oct 28, 2008	Shenzhen Fortune Venture Capital, Vision Investment, Shenzhen CDF-Capital	ChinaNetCenter Co., Ltd.	5.9	NA	NA	Shanghai-based provider of content delivery and Internet data center networks

Selected IT Services Transactions

Oct 15	IBM Corp. [NYSE: IBM]	Hisense TransTech Co., Ltd.	NA	20.0	NA	Leading provider of intelligent urban traffic, public transportation and logistics management solutions in China
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Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

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