



China Technology & Telecom M&A Quarterly

1st Quarter 2009

Quarter in Review

- First quarter transaction activity in the Technology and Telecom sector was low, consistent with the levels seen in the fourth quarter of 2008, with both financial investors and strategic buyers hesitant to make significant moves given the uncertain economic outlook and its implications on global Technology and Telecom spending.
- There were very few VC investments in the sector, with one notable exception being the US\$37.5mm iPanel transaction discussed below. We believe that VC investors will instead remain focused on counter cyclical sectors such as Healthcare for the foreseeable future.
- By contrast, there was relatively more in the way of strategic investments and acquisitions, as a number of well capitalized players with a view towards an eventual recovery sought to take advantage of the lower current valuations to make acquisitions or to increase their positions in existing affiliates. While there were a few large transactions, most were small, with a few distressed sales.

Deal Highlights

- China Resources (Holdings) announced a privatization proposal to acquire the remaining 39.4% of China Resources Microelectronics at HK\$0.3 per share, an 81% premium to the stock's closing price before the announcement. However, the proposal was subsequently rejected by minority shareholders.
- ChinaTel Group acquired 49.0% of Chinacomm Ltd. for US\$191.0 million. Chinacomm was recently approved to provide 3.5GHz wireless broadband Internet in 29 cities across China. The acquisition will provide ChinaTel with additional access to deploy its wireless broadband network across China.
- Electronics manufacturing services provider Sanmina-SCI acquired the manufacturing assets of JDS Uniphase in Shenzhen to offer new product introduction and manufacturing services for advanced optical products.
- China Information Security Technology acquired a LCD/LED screen provider HuiPu Electronic to strengthen its distribution channels and provide more comprehensive and competitively priced solutions.
- Orchid Asia and Shenzhen Fortune Venture Capital invested US\$37.5 million in iPanel Technologies, a domestic digital TV value-added system and application development services provider.
- iSoftstone acquired 100.0% of Shenzhen Sidaronghe Co. and MDCL-Frontline (China)'s Services and Outsourcing unit in separate transactions. The transactions mark iSoftstone's commitment to broaden its service coverage in Greater China and Taiwan and to strengthen its service delivery capability to global multi-national corporate clients.

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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 first quarter of 2009, 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

Semiconductor

China Resources (Holdings) Co., Ltd., a Chinese industrial conglomerate, placed a privatization proposal to acquire the remaining 39.4% of its subsidiary China Resources Microelectronics Limited ("CR Micro"), which is primarily engages in semiconductor manufacturing business. The offer price is at HK\$0.3 per share, an 81% premium to the stock's closing price before the announcement and the transaction values CR Micro at approximately 0.6x book value as of December 31, 2008. Subsequent to the end of the quarter, the privatization offer was rejected in a shareholder vote.

A subsidiary of Micron Technology, Aptina Imaging, Inc, which provides handset CMOS image sensors, acquired the handset software platform design unit of Chipnuts Technology Inc. ("Chipnuts"). Founded in September 2003, Chipnuts mainly specializes in the R&D of handset multimedia application process chips and mobile platform solutions. Through this restructuring, Chipnuts hopes to reduce its cost and enhance its product competitiveness in the economic downturn.

Selected Semiconductor Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 16, 2009	China Resources (Holdings) Co., Ltd.	China Resources Microelectronics Limited (SEHK:597)	89.4	39.4	227.1	Engages in semiconductor manufacturing business
Jan 5, 2009	Aptina Imaging, Inc.	Handset Software Platform Business of Chipnuts Technology, Inc.	NA	100.0	NA	Provides integrated mobile multimedia chipsets and system solutions

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

Network Equipment

Cantronic Systems, Inc. ("Cantronic"), a provider of video security surveillance technologies based in Canada, acquired 58.6% of Beijing Advanced VideoInfo Technology Co., Ltd. ("AVINFO"), which provides networked digital video platform solutions, for US\$1.3 million. The acquisition will enable Cantronic to offer a complete solution in China's rapidly expanding security and surveillance market by combining its camera products and AVINFO's video network management solutions.

Electronics manufacturing services provider Sanmina-SCI Corp. acquired the manufacturing assets, inventories and employees of JDS Uniphase (Shenzhen) Limited, which provides communications test and measurement solutions as well as optical products. Through the acquisition, Sanmina-SCI will build on the strong capabilities of JDSU's Shenzhen operations to offer new product introduction and manufacturing services for advanced optical products.

Selected Network Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 9, 2009	Cantronic Systems, Inc. (TSXV:CTS)	Beijing Advanced VideoInfo Technology Co., Ltd.	1.3	58.6	2.3	Provides networked digital video platform solutions
Feb 4, 2009	Sanmina-SCI Corp. (Nasdaq:SANM)	JDS Uniphase (Shenzhen) Limited	NA	100.0	NA	Provides communications test and measurement solutions and optical products for telecommunications service providers, cable operators and network equipment manufacturers

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

Telecom Equipment

Shenzhen HYT Science & Technology Co., Ltd. ("Shenzhen HYT"), which manufactures wireless communication systems, acquired 100.0% of Shenzhen SEG Communication Co., Ltd., a telecommunication services provider, for US\$5.9 million. Through the acquisition, Shenzhen HYT will broaden its product portfolio by adding radio communication equipment and systems for railway applications.

Selected Telecom Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 16, 2009	Shenzhen HYT Science & Technology Co., Ltd.	Shenzhen SEG Communication Co., Ltd.	5.9	100.0	5.9	Provides radio communication equipment and systems
Feb 27, 2009	Shanghai Fudan Microelectronics Co. Ltd. (SEHK:8102)	Shanghai Fudan Communication Co., Ltd.	1.2	NA	NA	Engages in the research, development, production and sale of railway communication products

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

PCs, Terminals & Electronics

Unihan Corporation, a subsidiary of ASUSTek that manufactures PC-related devices, acquired the remaining portion of Avy Precision Electroplating (Suzhou) Co., Ltd., which manufactures computer components, for US\$15.2 million. The transaction will expand Unihan's manufacturing capacity in China.

China Information Security Technology, Inc. ("CIST"), a leading application software developer, systems integrator and full-service Geographic Information Systems ("GIS") solutions provider, acquired 100.0% of Huipu Electronic (Shenzhen) Co., Ltd. ("Huipu"), which manufactures customized LCD/LED multi-screen display systems. Through the acquisition, CIST will strengthen its distribution channels and is able to provide more comprehensive and competitively priced solutions.

North Tec Asia (Shanghai) Limited, which manufactures and sells mobile phones, computers and electronic components, raised US\$40.0 million from its parent company Pegatron Corporation, a subsidiary of ASUSTek Computer, Inc. The proceeds will mainly used for working capital and R&D.

Selected PCs, Terminals & Electronics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 9, 2009	Unihan Corporation	Avy Precision Electroplating (Suzhou) Co., Ltd.	15.2	NA	NA	Manufactures computer components
Mar 1, 2009	Tsinghua Science Park Development Centre; Shenzhen Leaguer Venture Capital	Beijing Highlander Digital Record Technology Stock Co., Ltd.	2.9	NA	NA	Manufactures voyage data recorder, vessel monitoring and management system
Feb 26, 2009	HTC Corporation (TSEC:2498)	HTC Electronics (Shanghai) Co., Ltd.	8.0	NA	NA	Engages in research, development, design, manufacture and sale of computer, personal digital assistant (PDA) handsets
Feb 23, 2009	JRD Communication (Shenzhen) Ltd.	TCL Corporation Technology Center, 3G Assets and Technologies	1.0	100.0	1.0	Comprises 3G asset and technologies for mobile handsets
Feb 13, 2009	Unihan Corporation	Casetek Computer (Suzhou) Co., Ltd.	24.0	NA	NA	Engages in manufacturing, developing and sale of computers, computer parts and application systems
Feb 12, 2009	China Information Security Technology, Inc. (Nasdaq:CPBY)	Huipu Electronic (Shenzhen) Co., Ltd.	NA	100.0	NA	Manufactures liquid crystal displays (LCD) and plasma televisions, LCD computer monitors and cathode ray tube computer monitors
Feb 6, 2009	Pegatron Corporation	North Tec Asia (Shanghai) Limited	40.0	NA	NA	Manufactures and sells mobile phones, computers, routers, digital television and electronic components and after sales service
Jan 30, 2009	Star EPS.com (HK) Ltd.	Guangzhou Yi Lian Business Services Ltd.	1.8	11.0	16.4	Provides third party payment services and issues rechargeable prepaid smart cards used in the Guangdong Unionpay network

Selected PCs, Terminals & Electronics Transactions

Jan 21, 2009	China Southern Fund Management Co.; Fortis Haitong Investment Management Co. Ltd.; Penghua Fund Management Co. Ltd.; China Asset Management Co., Ltd.; Zhonghai Fund Management Co., Ltd	Jiangsu Hongtu High Technology Co., Ltd. (SHSE:600122)	46.6	NA	NA	Engages in the production of computers and peripheral products
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Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Software & Solutions

Orchid Asia and Shenzhen Fortune Venture Capital invested US\$37.5 million in iPanel Technologies, a domestic digital TV value-added system and application development services provider. iPanel's solutions are widely used by China's broadcast operators and have maintained 100.0% growth for the past 4 consecutive years.

Selected Software & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 16, 2009	China Merchants Tech. Holdings Co., Ltd.	AMTT Digital Service Group	10.0	NA	NA	Provides digital platform to integrate and manage entertainment, broadband connectivity and billing systems for hotels
Mar 12, 2009	iSoftStone Information Service Corp.	Shenzhen Sidaronghe Co. Ltd.	NA	100.0	NA	Provides application development and testing services for domestic and international telecom carriers
Jan 11, 2009	Longtop Financial Tech. Ltd. (NYSE:LFT)	Jactus Labs Co., Ltd.	NA	100.0	NA	Offers 3rd party software function, performance, usability and security testing for China's financial services industry
Jan 4, 2009	Orchid Asia, Shenzhen Fortune VC	iPanel Technologies Ltd.	37.5	NA	NA	Shenzhen-based provider of middleware solutions for digital cable set-top boxes and head-end delivery systems

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

Outsourcing / Offshoring

iSoftstone acquired 100.0% of Shenzhen Sidaronghe Co. and MDCL-Frontline (China)'s Services and Outsourcing unit in separate transactions. The transactions mark iSoftstone's commitment to broaden its service coverage in Greater China and Taiwan and to strengthen its service delivery capability to global multi-national corporate clients.

Selected Outsourcing / Offshoring Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 12, 2009	iSoftStone Information Service Corp.	MDCL-Frontline (China) Ltd., Services & Outsourcing Unit	NA	100.0	NA	Provides outsourcing services for application development, and infrastructure outsourcing services

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

Telecom Services & Solutions

ChinaTel Group, a provider of engineering and deployment services for wireless broadband telecommunication networks, acquired 49.0% of Chinacomm Ltd. for US\$191.0 million. Chinacomm was recently approved to provide 3.5GHz wireless broadband Internet in 29 cities across China. The acquisition will provide ChinaTel with additional access to deploy its wireless broadband network across China.

Selected Telecom Services & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 9, 2009	China Tel Group Inc. (OTCBB:CHTL)	Chinacomm Ltd.	191.0	49.0	389.8	Deploys and manages wireless broadband networks

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

IT Services

Newcom Traffic Technology successfully closed its series A financing round with Siemens Venture Capital. The company develops proprietary traffic management technology with client base ranging from consumer to municipal administration.

Selected IT Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 19, 2009	Siemens Venture Capital GmbH	Newcom Traffic Tech. Co., Ltd.	NA	NA	NA	Provides research and development of traffic information technologies
Feb 11, 2009	Intel Capital	Zhejiang Enjoyor Electronic Co., Ltd.	NA	NA	NA	Hangzhou-based developer of traffic intelligence, medical digitization, building intelligence and security automation services

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

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