



China Technology & Telecom M&A Quarterly

3rd Quarter 2009

Quarter in Review

- Transactions in the Technology Hardware sector were dominated by domestic firms in the 3rd quarter of 2009. On the M&A front, transactions typically involved Chinese companies acquiring or making significant investments opportunistically in China, with foreign buyers generally absent. On the private placement side, the few venture capital investments in the sector were spearheaded by local venture capital firms.
- We continue to witness active fund flows into the Technology Software Solution sector, especially from local financial investors. The Chinese technology companies have also been aggressively making acquisitions to speed up expansion.

Deal Highlights

- Shanghai High Definition Digital Technology Industrial Corporation raised US\$43.9 million from Shanghai Light Industry Equipment Group
- New Auto Video, a leading solution provider for broadcasting applications in China, raised a round of financing led by Shenzhen Fortune Venture Capital
- Vimicro Electronics acquired 100.0% of Video Surveillance System ("VISS") from Alcatel-Lucent Shanghai Bell
- China TechFaith Wireless Communication Technology acquired 100.0% of Qigi Future Technology for US\$12.5 million
- NSYS Pacific Asia, a subsidiary of PERA Global, closed its series B private placement round and raised US\$42.0 million from Baring Private Equity Asia
- Keniu, an early-stage graphic software developer, closed its series A private placement round and raised US\$4.4 million from Matrix Partners China
- ChinaCache, one of China's largest content delivery network, closed its series C private placement round and raised US\$10.0 million from Intel Capital
- Beijing Netentsec Inc. closed its series B private placement round and raised US\$3.0 million from Highland Capital and Legend Holdings

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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 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 third 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 targets. 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

There were no notable transactions in the outsourcing/offshoring sector during the third quarter of 2009.

Semiconductor

Inspur Group, a Jinan-based IT solutions provider and server manufacturer, acquired German memory chip maker Qimonda AG's Xi'an research and development center for US\$4.4 million. The R&D center is specialized in developing computer and consumer DRAM products and also offers full memory product development services. Inspur plans to integrate the Xi'an R&D center with its own Shandong IC design center to create an international class IC design and development platform, which will also support Inspur's development in core technologies such as high performance servers and massive storage.

Shanghai High Definition Digital Technology Industrial Corporation, a fabless IC design company specializing in the development of terrestrial digital television chips, raised US\$43.9 million from Shanghai Light Industry Equipment Group. The proceeds will be mainly used for R&D and international expansion.

Selected Semiconductor Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 12, 2009	Inspur Group (SZSE:000977)	Qimonda AG PRC R&D Center	4.4	100.0	4.4	Designs and develops DRAM products
Aug 6, 2009	Hangzhou Silan Microelectronics Co., Ltd. (SHSE:600460)	Hangzhou Silan Azure Co., Ltd.	10.4	31.0	33.5	Designs and produces high brightness LED (Light Emitting Diode) chips
Jul 24, 2009	Jiaying Huashengda Fashionable Co., Ltd.	Globetronics (Jiaying) Inc.	1.9	31.0	1.9	Manufactures integrated circuits for the semiconductor industry
Jul 6, 2009	Shanghai Light Industry Equipment Group Co., Ltd.	Shanghai High Definition Digital Technology Industrial Corporation	43.9	NA	NA	Designs and develops terrestrial digital television chips and system solutions

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

Network Equipment

New Auto Video Ltd., a leading solution provider for broadcasting and television applications in China, raised over US\$10.0 million led by Shenzhen Fortune Venture Capital. New Auto Video will use the funding to further expand both the domestic and international markets.

China TransInfo Technology Corp., the largest provider of traffic information products and solutions in China, acquired 35.2% of UNISITS Technology Co., Ltd. for US\$6.5 million. UNISITS provides products for China's intelligent transportation systems industry, primarily traffic engineering systems for expressways. Through the strategic investment, China TransInfo Technology is able to broaden its product offering and expand its business into China's fast-growing expressway sector.

Selected Network Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 8, 2009	Shenzhen Fortune Venture Capital Management Co., Ltd.	New Auto Video Ltd.	10.0+	NA	NA	Manufactures and sells video equipment, network solutions, and system integrations for television stations in China
Sep 8, 2009	China TransInfo Technology Corp. (Nasdaq:CTFO)	UNISITS Technology Co., Ltd.	6.5	35.2%	18.5	Designs and manufactures electronic systems for the traffic industry
Jul 20, 2009	Hunan Xiangtuo Hi-Tech Venture Capital Co., Ltd.	Hunan RUNCORE Innovation Technology Co., Ltd.	NA	NA	NA	Develops and sells solid state storage products

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

Telecom Equipment

Vimicro Electronics Corporation, a leading multimedia semiconductor and solution provider, acquired 100.0% of Video Surveillance System ("ViSS") from Alcatel-Lucent Shanghai Bell Co., Ltd. ("ASB"). Vimicro acquired the complete ViSS business including all property, plant and equipment, inventories, business contracts, intellectual property and service and development capabilities in China. ViSS is a leading carrier class security and surveillance solution for unified surveillance, storage and management for telecom-operators and local governments. Post transaction, Vimicro and ASB will continue to cooperate on solution development and marketing in the future. The acquisition is part of Vimicro's strategy to expand into the surveillance market.

Shenzhen Sunway Communications, a Shenzhen-based antenna provider for mobile terminals, raised a round of funding from Shenzhen Capital Group and OF Capital. The funding will be mainly used for research and development.

Selected Telecom Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 28, 2009	Vimicro Electronics Corporation	Video Surveillance System	NA	100.0	NA	Provides visual security surveillance solutions for telecom and industrial applications
Jul 30, 2009	Shenzhen Capital Group, OF Capital	Shenzhen Sunway Communication Co., Ltd.	NA	NA	NA	Develops and manufactures antennas for mobile terminals

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

PCs, Terminals & Electronics

Qiao Xing Universal Telephone (Nasdaq:XING) sold its indoor phone and lower-end mobile phone business subsidiary Qiao Xing Communication Holdings to Dragon Fu Investment Limited ("DFIL"). The disposal of this unprofitable business is part of Qiao Xing's strategy to complete its transition into a natural resources focused business in China. For DFIL, this transaction enables the company to enter into China's consumer electronics market by leveraging Qiao Xing's widely-recognized "COSUN" brand name and its extensive distribution network in China.

China TechFaith Wireless Communication Technology, a leading handset design house in China, acquired 100.0% of Qigi Future Technology for US\$12.5 million. Through the acquisition, TechFaith gains the ability to launch high-end smartphones quickly, positioning it well for capturing the substantial 3G market opportunities in China.

Selected PCs, Terminals & Electronics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 1, 2009	Dragon Fu Investment Limited	Qiao Xing Communication Holdings Limited	11.0	100.0	11.0	Develops and sells indoor and low-end mobile phones
Aug 31, 2009	Hon Hai Precision Industry Co. Ltd. (TSEC: 2317)	Foxconn Precision Electronics (Yantai) Co., Ltd.	32.8	100.0	32.8	Manufactures mobile handsets
Aug 31, 2009	Foxconn Advanced Technology, Inc.	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	19.0	NA	NA	Manufactures and sells printed circuit boards
Aug 17, 2009	China Techfaith Wireless Communication Technology Ltd. (Nasdaq: CNTF)	Qigi Future Technology Co., Ltd	12.5	100.0	12.5	Manufactures and sells Windows smartphones

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

Software & Solutions

ANSYS Pacific Asia, a subsidiary of PERA Global, closed its series B private placement round and raised US\$42.0 million from Baring Private Equity Asia. The proceeds will be deployed to further develop research and development capabilities and broaden product breath across multiple sectors.

WI Harper and WISeKey SA announced that they will establish a joint venture in China that focuses on providing information security solutions to the growing number of digital identification device users in China. WISeKey's solution manages identification devices such as electronic identity cards, electronic tokens and biometric equipments.

Keniu, an early-stage graphic software developer, closed its series A private placement round and raised US\$4.4 million from Matrix Partners China. Post transaction, Fu Sheng, Vice President of Matrix Partners will serve as full-time Chairman and CEO of Keniu.

Hover Rise Ltd., a subsidiary of Broad Intelligence International Pharmaceutical (SEHK: 1149), acquired 100.0% of Shenzhen Anxin Digital Development for US\$170.8 million. The acquisition enables Hover Rise to diversify its revenue base from marketing pharmaceutical products and enter into the high growth software vertical.

Selected Software & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 18, 2009	Baring Private Equity Asia	ANSYS Pacific Asia, a subsidiary of PERA Global	42.0	NA	NA	Provides computer-aided engineering solutions and IT consultancy services for the aerospace, automotive, electronics sectors
Sep 18, 2009	Individuals	Geong International Ltd. (AIM: GNG)	3.8	16.3	23.3	Provides SaaS-based enterprise content management solutions in China and Canada

Selected Software & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 16, 2009	CDC Software Corp. (Nasdaq:CDCS)	Beijing Hejia Software Tech. Co., Ltd.	NA	51.0%	NA	Provides enterprise resource planning, supply chain management and office automation solutions
Sep 14, 2009	WI Harper	WISeKey SA	NA	NA	NA	Geneva-based provider of digital information security and identity management solutions
Sep 9, 2009	Matrix Partners China	Keniu	4.4	NA	NA	Develops image and graphic processing software
Aug 31, 2009	Hover Rise Ltd.	Shenzhen Anxin Digital Development Co., Ltd.	170.8	100.0	170.8	Designs and provides system and application software solutions and maintenance services
Aug 6, 2009	Undisclosed	SinoHub, Inc. (AMEX:SIHI)	2.7	2.9	93.1	Provides electronic component supply chain management software and trades electronic components

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

Telecom Services & Solutions

ChinaCache, one of China's largest content delivery network service providers, closed its series C private placement round and raised US\$10.0 million from Intel Capital. The proceeds will be used towards research and development to enhance and broaden the capabilities of its core solution.

Beijing Netentsec Inc. closed its series B private placement round and raised US\$3.0 million from Highland Capital and Legend Holdings. The proceeds will be used to bolster research and development and broaden sales coverage.

Selected Telecom Services & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 23, 2009	Intel Capital	ChinaCache Int'l Holdings (aka. Beijing Blue I.T. Tech. Co. Ltd.)	10.0	NA	NA	Provides content delivery network solutions and services
Sep 15, 2009	Tradelink Electronic Commerce Ltd. (SEHK:536)	Beijing Changdian Zhiyuan Optoelectronic Co., Ltd.	7.3	25.2	29.0	Provides data centers, disaster recovery and business continuity services
Aug 6, 2009	Highland Capital Partners, Legend Holdings	Beijing NetentSec, Inc.	3.0	NA	NA	Provides Internet security and content management solutions in China
Aug 3, 2009	Wukuang IE Ltd.	Subaye, Inc. (OTCBB:MYST) (Previously known as MyStarU.com)	3.0	22.4	13.4	Provides integrated communications network solutions to business, Internet and consumer markets in China

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

IT Services

Zhongtian International Inc. raised US\$1.7 million through divesting 16.7% of the company to individual investors. The proceeds will be used for general working capital purposes.

Selected IT Services Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 28, 2009	Individuals	Zhongtian International Inc. (SEHK: 2379)	1.7	16.7	10.2	Qingdao-based system and software integration services provider
Sep 15, 2009	Beijing Digital China Information Technology Academe Co. Ltd.	Shanghai Digital China Information Technology Services Co. Ltd.	58.5	19.5	300.0	Provides systems integration services, application software development to the government, telecom and financial sectors
Aug 28, 2009	Chunghwa System Integration Co., Ltd.	Glory Network System Service (Shanghai) Co.	1.0	NA	NA	Provides system integration services in China

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

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