

INTRODUCTION

We are pleased to present our inaugural quarterly review of technology M&A activity in Asia and, in particular, Greater China. The purpose of this report is to provide a summary on Technology M&A and private placement activities in the previous quarter, highlighting notable selected transactions that are relevant to venture, private equity and strategic investors. Our review specifically focuses on three broad sectors – Hardware, Software & Systems and Wireless & Internet Media – and on a number of prominent sub-sectors within these.

HARDWARE

The first quarter of 2005 saw a high level of transaction volume in the Display industry, which continues to suffer from falling prices and overcapacity. There was less activity in other hardware sectors although there were some notable large transactions, such as the US\$350 million investment by Texas Pacific Group (TPG), General Atlantic Partners (GA) and Newbridge Capital into Lenovo and the acquisition of handset ODM Chi Mei Communications by Hon Hoi.

PC & Peripherals

The most notable transaction announced in the quarter was the US\$350 million investment in Lenovo by TPG, GA and Newbridge Capital. This investment will help the PC manufacturer finance its acquisition of IBM's PC business, announced in late 2004.

Selected Computer Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
March 31, 2005	Texas Pacific Group General Atlantic Newbridge Capital	Lenovo (China)	\$350.0	10.2-12.4	\$3,097.0	A leading IT enterprise in China, primarily engaged in computer manufacturing
January 31, 2005	Phoenix Capital	TEAC (Japan)	\$97.5	62.7	\$155.5	A leading developer and manufacturer of computer-related storage and audio products in Japan

Electronics

In Electronics, M&A activity focused on display makers, an industry that is currently suffering from falling prices due to overcapacity. As a result, both strategic and financial investors have been able to take advantage of relatively attractive valuations to enter the market or expand their presence.

Selected Electronics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
March 30, 2005	International DisplayWorks	Three-Five Systems Beijing (China)	\$10.4	100.0	NA	Three-Five System's (NYSE:TFS) LCD manufacturing facility and business in Beijing
February 2005	Standard Chartered Private Equity	International Display Solutions (South Korea)	\$10.0	NA	NA	A Korea-based electronics display producer
February 2005	MatlinPatterson Advisers (Asia)	Orion Electric Co (South Korea)	\$115.9	100.0	\$115.9	A manufacturer of CRTs for TVs and monitors, CPTs, CDTs, and PDPs
January 24, 2005	3i	GST Group (China)	\$20.5	NA	NA	A Chinese manufacturer of fire detection products and systems
January 17, 2005	Henderson Private Capital	Airmate (China)	\$12.0	NA	NA	A Shenzhen-based OEM focusing on major markets such as Europe, the US, and Asia

Selected Electronics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
January 14, 2005	Samsung OLED	Samsung SDI (South Korea)	NA	100.0	NA	Formerly known as Samsung NEC Mobile Display, was formed as a joint venture with Japan's NEC
January 11, 2005	Singapore Tech Group	Sunningdale(a) (Singapore)	NA	NA	NA	Tech Group makes printer casings and cartridges for customers like HPQ and Dell, while Sunningdale makes automotive parts, including interior plastics for cars, and mobile phone casings for Motorola Inc
January 7, 2005	Sony	IDTech (Japan)	\$176.1	100.0	\$176.1	Subsidiary of Taiwan's Chi Mei; producer of thin-film-transistor (TFT) liquid crystal display panels.

(a) Merger

Telecom

Transactions in the Telecom Equipment sector in Greater China continue to be mainly focused on companies involved in mobile handset production, driven by the growth in the market both within China and internationally. However, there also continues to be some interest in the telecom infrastructure sector, with Chinese telecom equipment providers seen as low cost competitors to multinationals, both in China and internationally. TechFaith Wireless, a Beijing-based handset designer, is planning an IPO on Nasdaq reflecting investor appetite for handset design and software application companies.

Selected Telecom Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
March 16, 2005	Hong Kong SunShine International Group	China Kejian (China)	\$12.0	29.0	\$41.6	A leading Chinese mobile phone handset manufacturer, listed in Shenzhen
March 3, 2005	TVG Investment Temasek Holdings Warburg Pincus Dragon Tech Venture	Harbour Networks (China)	\$37.0	NA	NA	A leading provider of IP-based, next generation networking equipment for converged networks in China
February 16, 2005	Hon Hai Group	Chi Mei Communications (Taiwan)	NA	NA	\$142.0	A handset original design manufacturer (ODM)
January 31, 2005	Philips Samsung Datang Telecom Motorola Ventures	TCG Technology (China)	NA	NA	NA	A Chinese manufacturer of chipsets for 3G TDSCDMA cellular phones

Semiconductor

There was comparatively little M&A activity in the Semiconductor sector last quarter, with the larger transactions involving acquisitions of established players. These acquisitions were made for strategic reasons, whether to improve R&D capabilities (e.g. Winbond) or achieve economies of scale (e.g. ISSI), as companies seek to improve their competitive position.

Selected Semiconductor Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
March 16, 2005	Winbond Electronics	PC Division of National Semiconductor (USA)	\$65.0	100.0	\$65.0	PC unit of California-based National Semiconductor
March 7, 2005	Walden International	Advance Micro-Fabrication Equipment (China)	\$38.0	NA	NA	A Shanghai-based semiconductor equipment provider
January 25, 2005	Integrated Silicon Solution (ISSI)	Integrated Circuit Solution (ICSI) (Taiwan)	\$69.0	71.0	\$97.2	A Taiwan-based manufacturer of SRAM, DRAM, Non-Volatile Memories (NVM), Microcontrollers and System on Chip (SOC) devices
January 2005	Cdb Web Tech	Grace Semiconductor Manufacturing (China)	\$10.2	NA	NA	A Chinese leading semiconductor manufacturer based in Shanghai

SOFTWARE & SYSTEMS

First quarter 2005 M&A activity in the Software and Systems industries occurred across a number of different sectors, although two involved acquisitions of Chinese companies serving domestic educational institutions. China Wireless Communication (CWC) completed its acquisition of Tianjin Create IT, a premier systems integration services provider located in Tianjin. This is widely viewed as an expansion move of CWC into the city of Tianjin as Create Co.'s customer base includes universities, colleges and other government clients that require network integration services. By acquiring Huana Xinlong, INTAC International, which provides full-range career development services, expands its educational services into elementary and middle school system sectors and further solidifies its relationship with the Ministry of Education.

Selected Software & Systems Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
March 17, 2005	Catuity	Loyalty Magic Pty (Australia)	\$4.3	100.0	\$4.3	A CRM & customer loyalty programs provider
March 8, 2005	Microsoft	Professional Advantage (Australia)	NA	NA	NA	A developer of ERP, CRM & BI software
March 8, 2005	China Wireless Communication	Tianjin Create IT (China)	NA	NA	NA	A network & systems integration services provider
March 3, 2005	JAFCO	Pollex Mobile Holdings (China)	NA	NA	NA	A mobile applications software developer
January 19, 2005	Intergraph	Asahi Kasei Engineering (Japan)	NA	NA	NA	A developer of CAD & 3D visualization software
January 5, 2005	SmartPay Jieyin	DT Intrinsic Technology (China)	NA	NA	NA	A billing and service management software developer
January 3, 2005	INTAC International	Beijing Huana Xinlong Information & Technology Development (China)	NA	100.0	NA	A leading Chinese developer of management software for educational institutions

WIRELESS & INTERNET MEDIA
Mobile Value-Added Services

During the first quarter of 2005, investor interest continued to be focused on the mobile value-added service (MVAS) sector. Hurray became the latest company to list on NASDAQ even as the sector underwent further consolidation, as US-listed service providers (SP) continued to snatch up the few remaining larger independent MVAS SPs in the China market. US-listed SPs are actively seeking to buy quality small MVAS SPs both as a means of growing their existing business as well as diversifying into multiple MVAS channels to diversify revenue and mitigate regulatory risk. Two major transactions were: (i) Index Corporation acquiring Skyinfo for up to US\$78.9 million; and (ii) Stone Group exiting its investment in Sina and using the proceeds to acquire a 75% stake of MTY, a company that specializes in providing LBS/GPS services via mobile platforms.

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
March 30, 2005	PacificNet Inc.	Guangzhou 3G Information Technology (China)	\$5.5	51.0	\$10.8	A value-added telecom and information services provider for China Mobile, China Unicom, China Telecom and China Netcom
March 17, 2005	Index Corporation	Skyinfo (China)	\$78.9	100.0	\$78.9	China's third-largest WAP mobile VAS provider
March 14, 2005	Hurray	Unknown (China)	NA	100.0	NA	A MMS SP for China Mobile
March 14, 2005	Hurray	Unknown (China)	NA	100.0	NA	An IVR SP for China Mobile
March 14, 2005	Stone Group	MTY (China)	\$19.2	40.0	\$48.0	A leading China mobile LBS/GPS provider
March 14, 2005	IDG	Wap.3g.net.cn (China)	NA	NA	NA	China's largest WAP portal website
January 21, 2005	KongZhong	Hong Meng Broadcasting Ltd. (China)	NA	NA	NA	A cartoon content provider

Online Gaming

China's Massive Multiplayer Online Role Playing Game (MMORPG) market is extremely competitive with a variety of players. These include two US-listed online gaming companies, (Shanda and The9), domestic Internet portals, as well as several domestic online gaming operators, such as Kingsoft and Optisp. During the first quarter of 2005, the most notable transaction was the US\$230 million investment by Shanda of a 19.5% stake in Sina. The pairing of China's leading online game company with China's leading portal sent ripples throughout the market.

There were also several transactions announced in the online casual game sector. In addition to a US\$14 million VC investment in 9you, Shanda, Sina, Tom Online, and Tencent have all invested steadily to develop their respective online casual gaming business units. The transactions listed below were aimed either at diversifying the buyers' businesses or bolstering their R&D capabilities, as in the case of Tom Online purchasing Indiagame.

Selected Online Gaming Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
February 24, 2005	Tom Online	Indiagames (India)	NA	80.6	NA	No.1 gaming developer and publisher in India
February 18, 2005	Shanda	Sina (China)	\$230.0	19.5	\$1,149.5	The largest China Internet portal
February 1, 2005	9you.com	Glory Shine Asia (China)	NA	100.0	NA	A China online casual gaming company
December 30, 2004	China Merchants & Fortune, Carlyle Group, Sino-Korea Wireless Fund	9you (China)	\$14.0	NA	NA	A China online casual game site

Search
Selected Search Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
March 4, 2005	Baidu	Qilang Network Technology (China)	NA	100.0	NA	One of Baidu's largest distributors

Ecommerce

We saw a resurgence in both M&A and private placement activities in the Ecommerce sector in the first quarter of 2005. The investment by IDG and Newbridge into HiChina's B2B portal has created a fourth major player following Alibaba, HC International and Global Sources in China's B2B market. EBay also announced that it intends to spend US\$100 million in marketing Eachnet as the online auction business heats up. In other sectors, Monster Worldwide's acquisition of 40% of ChinaHR for US\$50 million has topped up ChinaHR's acquisition war chest as it goes head to head with Nasdaq-listed 51 Jobs.

Selected Ecommerce Transactions

Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
March 28, 2005	CNET	PCHome (China)	\$10.0	51.0	\$19.6	A leading China IT portal
January 11, 2005	IAC	Elong (China)	\$108.0	33.4	\$323.4	An online travel service provider
March 17, 2005	IDG, Newbridge Capital	HiChina's newly launched B2B portal (China)	\$12.0	NA	NA	HiChina is China's largest domain name registrar. It has a B2B portal call "Mymai"

Others

Other Transactions						
Announcement Date	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
February 17, 2005	Beijing CCID Media Investment	CCIDnet (China)	\$3.6	12.0	\$30.0	The biggest China online IT market information portal
January 24, 2005	LexisNexis	PRCinvestment.com (China)	NA	100.0	NA	A China online investment information provider
February 2, 2005	Monster Worldwide	China HR (China)	\$50.0	40.0	\$125.0	A leading China online recruiting website
March 21, 2005	Tencent	Foxmail (China)	NA	100.0	NA	China's second largest email service provider
February 3, 2005	PalmSource	China MobileSoft (China)	\$16.0	100.0	\$16.0	A China leading mobile phone software applications provider

* * * * *

Latitude Capital Group is an Asian merchant banking firm, specializing in cross-border M&A and private placements. We mainly focus on serving middle market and emerging growth companies in the technology, manufacturing, healthcare, consumer and real estate sectors. Latitude Capital Group is headquartered in Hong Kong with offices in Beijing and San Francisco.

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.