

Technology & Telecom Sector

3rd Quarter 2007

China Technology & Telecom M&A Quarterly

Highlights

- **VST Acquired 52.5% of ECS for US\$86.8 million**
The acquisition will geographically increase VST's penetration into Asian markets.
- **Shenzhen Listed Tianma Microelectronics raised US\$65.8 million through New Share Issuance**
The investment will be used to enhance the company's TFT-LCD manufacturing capability.
- **Francisco Partners Invested US\$48.0 million in DarwinSuzsoft**
The investment will be used to fund the IT outsourcing company's acquisitions in China.
- **Beijing DHC Digital Technology Acquired 100.0% of Beijing UFC for US\$38.4 million**
The acquisition will strengthen the company's capability in IT outsourcing services to customers in the financial industry.
- **Twyla Services Acquired 55.0% of Highway Bright for US\$38.0 million**
The acquisition of the satellite and telecom components maker will diversify parent company Golding Soft's business.
- **Telegent Raised US\$20.0 million in Series C Financing**
The mobile TV fabless IC design house received funding from Northern Light, Index Ventures, NEA and Walden International.

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Introduction

The purpose of this report is to provide a summary of Technology & Telecom M&A and private placement activities in the third 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
- ♦ Network Equipment
- ♦ Telecom Equipment
- ♦ PCs, Peripherals & Electronics
- ♦ Software & Solutions
- ♦ Outsourcing / Offshoring
- ♦ Telecom Services & Solutions

However, during the third quarter of 2007, there were no notable transactions in the Network Equipment sector.

Semiconductor

In the Semiconductor sector, Tianma Microelectronics raised US\$65.8 million from an investment group led by Chengdu Rendao Investment. The investment will be used to add manufacturing lines to meet increasing demands for TFT-LCD products in the marketplace. The TFT-LCD market is expected to grow at a CAGR of 30% in the next few years and account for 80% of the entire FPD global business in 2010, which is projected to reach US\$114.1 billion.

In another notable transaction during the quarter, Telegent Systems closed its Series C round of financing of US\$20 million, with total proceeds raised to date of US\$50 million. Telegent Systems is a fabless semiconductor company specializing in the mobile TV area. It provides high performance, single-chip CMOS solutions which enables free-to-air and pay-per-view mobile TV in cellular phones and portable media devices. The investment will be used for product line expansion and international market development.

Selected Semiconductor Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 3, 2007	Beijing Junteng Property Investment	Sichuan Huiyuan Optical Communications (SZSE:000586)	NA	21.2	NA	Develops and distributes plastic optical fiber, optical fiber cable and auxiliary products
Aug 21, 2007	Galaxy Asset Management	Lightscape Technologies	3.6	NA	NA	Offers LED lighting solutions
Aug 21, 2007	Northern Light, Index Ventures, NEA and Walden International	Telegent Systems	20.0	NA	NA	RF IC fabless company, focused on portable electronic devices
Aug 21, 2007	Chengdu Rendao Investment, Zhonghai Fund Management, Zhejiang Yinhe Holdings, Dacheng Fund Management, Chengdu Guoguang Electric, Foshan Jinhai Group	Tianma Microelectronics (SZSE: 000050)	65.8	NA	NA	Manufacturer of LCD screens and LCD modules
Aug 20, 2007	BlueRun Ventures, Anxon International	3i Systems Corporation	6.5	NA	NA	Provides automated optical inspection solutions for the TFT-LCD market in Asia
Aug 9, 2007	Asiavest, Intel, Legend	Parade Technologies	14.5	NA	NA	Fabless IC design company, focused on high-speed video interfacing and processing products

Telecom Equipment

In the Telecom Equipment sector, Twyla Services, a provider of software development and outsourcing services, acquired 55% of Highway Bright, a manufacturer and distributor of satellite and telecom equipment, and audio/video components and accessories, for US\$38 million. Twyla's parent company, Golding Soft, provides ODM software, proprietary packaged software and system solutions, and the acquisition allows it to diversify its business.

In an outbound transaction, Chinese company Hunchun BaoLi Communication invested US\$15 million into NASDAQ-listed Superconductor Technologies. The investment will accelerate the ongoing negotiations on a potential JV in China to

manufacture and distribute wireless communication products embedded with Superconductor Technologies' interference elimination solutions.

Selected Telecom Equipment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 11, 2007	Zhejiang Sunwave Communications (SZSE: 002115)	Hangzhou Jointcom Communication Technology	5.6	51.0	10.9	Engages in the research, development, production and sales of duplexers, combiners, power dividers and couplers
Aug 27, 2007	Beijing Xinwei Telecom Technology	Beijing Arrowping Technology	NA	100.0	NA	Wireless broadband technology developer based in Beijing
Aug 27, 2007	Orsus Xelent Technologies (AMEX: ORS)	Hebei Lemon Times Communications Equipment	NA	60.0	NA	Designer and manufacturer of mobile handset and other electronics products
Aug 22, 2007	Hunchun BaoLi Communication ¹	Superconductor Technologies Inc. (NASDAQ: SCON)	15.0	NA	NA	Develops, manufactures, and markets infrastructure products for wireless voice and data applications in the United States
Aug 13, 2007	TransAKT Ltd. (OTCBB: TAKDF)	Lang Sheng Ltd.	NA	100.0	NA	Sole distributor of Sanyo telecom products in China
Jul 24, 2007	SIM Technology (SEHK: 2000)	Shanghai BaseCom Limited	NA	100.0	NA	Mobile handset developer
Jul 18, 2007	Zhejiang Sunwave Communications (SZSE:002115)	Unis Network	NA	51.0	NA	Producer of passive microwave and RF devices and related components
Jul 13, 2007	Twyla Services ²	Highway Bright Holdings Limited	38.0	55.0	69.1	Manufacturer and distributor of satellite and telecom equipment, and audio/video components and accessories

1. Wholly-owned subsidiary of Baoli Group.

2. Wholly-owned subsidiary of Golding Soft Limited, (SEHK: 8190).

PCs, Peripherals & Electronics

In the PCs, Peripherals & Electronics sector, COL Capital purchased 40% of Printronics Electronics, the holding company of a Shenzhen-listed PCB manufacturer and distributor, for US\$23.3 million.

Also during the third quarter, Comtech acquired Keen Awards for US\$20 million. Keen Awards offers customized display panel design services to manufacturers of advanced consumer digital products in China. After the acquisition, Comtech will be able to provide its own customer base with Keen Awards' design expertise, thereby helping to solidify its position in the China consumer digital media market.

Selected PCs, Peripherals & Electronics Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 1, 2007	Comtech Group (NASDAQ: COGO)	Keen Awards (KA) Ltd.	20.0	100.0	20.0	Provides customized display panel design solutions and engineering services to technology customers in China
Jul 11, 2007	COL Capital	Printronics Electronics	23.3	40.0	58.2	Investment holding company, with interests in PCB manufacturer owns shares in Tianjin Printronics Circuit Corporation (SZSE:002134)

Software & Solutions

In the Software & Solutions sector, Scientific Games acquired 50% of Guard Libang for US\$27 million. Guard Libang builds and maintains China Welfare Lottery's ("CWL") instant ticket management and sales systems in 17 provinces as well as distribute CWL's instant tickets in over 30 developed cities in China.

Selected Software & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 15, 2007	Longtop Group	FEnet Software	NA	100.0	NA	Provider of business intelligence applications and solutions to customers in the China financial services and e-government sectors in China
Sep 12, 2007	CID Group, Chengwei Ventures	Transcn	NA	NA	NA	Language translation service provider
Sep 12, 2007	NEC Solutions (China) ¹	Changyi Technologies	15.9	51.0	31.3	Total IT solutions provider to customers in the China distribution sector
Sep 5, 2007	CDC Software	Catalyst International	NA	100.0	NA	Provider of supply chain management software and services in the United States
Sep 5, 2007	Nicer Canada Corp. (TSXV: NC)	JM Information Technology (Shanghai) Inc.	5.2	66.7	7.8	Provides patented commercial information management Radio Frequency Identification (“RFID”) software
Aug 1, 2007	e-Future Information Technology Inc. (NASDAQ: EFUT)	Crownhead Holdings Ltd.	10.5	100.0	10.5	Wholly owns Royalstone System Integrated Co., Ltd., a retail software and service provider in China
Jul 19, 2007	Scientific Games Corp. (NASDAQ: SGMS)	Guard Libang ²	27.0	50.0	54.0	Provider of instant lottery ticket solutions and distribution services in China
Jul 2, 2007	Shenzhen International Holdings (SEHK: 152)	Shenzhen EDI Co Ltd.	1.7	39.0	4.4	Provides electronic information exchange, transmission and value-added information sharing services

1. Subsidiary of NEC Corp. (TSE:6701).

2. Indirect subsidiary of REXCAPITAL Financial Holdings Limited (SEHK: 555).

Outsourcing / Offshoring

In the Outsourcing / Offshoring sector, VST announced it would acquire 52.5% of enterprise-oriented IT outsourcing company ECS for US\$86.8 million. Through the acquisition, VST will increase its distribution sales of IT products by reselling to ECS’s customers in Asia.

Also in the third quarter, Beijing DHC acquired finance sector oriented software developer Beijing UFC for US\$38.4 million. The acquisition will strengthen the company’s IT service capacity for customers in the financial industry and improve its earnings performance. Beijing UFC expects to reach US\$14.7 million in 2007 revenues on a standalone basis, approximately 2.2 times its 2006 revenues.

In another notable transaction, Chinasoft International acquired 97.4% of Hinge Software Global for US\$45.1 million. Chinasoft International has been aggressively acquiring IT outsourcing companies. In 2006, it acquired Opportune Technology, a Mobile & Embedded Devices (“MED”) software outsourcing company, for US\$3 million, and 50% of another IT outsourcing company, CS&S Cyber Resource Software Technology, for US\$4.8 million.

As well, Francisco Partners invested US\$48 million into DarwinSuzsoft, an IT outsourcing company focused on customers in the China financial services and technology industries. The company will use the investment to fund acquisitions of other IT outsourcing companies in China.

Selected Outsourcing / Offshoring Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 6, 2007	Beijing DHC Digital Technology (SZSE:002065)	Beijing UFC	38.4	100.0	38.4	Customized software and applications provider to customers in the China financial services sector
Aug 20, 2007	Valores Corporativos Softek, S.A. de C.V.	I.T. UNITED	NA	100.0	NA	Provides offshore outsourcing services
Aug 15, 2007	Chinasoft International (SEHK: 8216)	Hinge Software Global	45.1	97.4	46.3	IT outsourcing company

Selected Outsourcing / Offshoring Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 7, 2007	VST Holdings Ltd. (SEHK: 856)	ECS Holdings Ltd. (SGX: E18)	86.8	52.5	165.4	IT outsourcing company mainly to enterprises in Asian markets
Aug 7, 2007	Francisco Partners Management LLC	DarwinSuzsoft	48.0	NA	NA	Provides IT outsourcing services to finance, healthcare, technology, insurance, and telecom sectors
Aug 2, 2007	eOn Communications Corporation (NASDAQ: EONC)	The Symbio Group	8.8	NA	NA	Provider of software development, testing, and globalization outsourcing services to multinational companies
Jul 25, 2007	Beijing Yuxinyicheng Technologies	Easycon	3.0	75.0	4.0	IT outsourcing service provider to small-and-medium sized banks in China
Jul 10, 2007	Harcourt Companies Inc. (OTCBB: HRCT)	Chongqing Zhengda Education Group, Chongqing Zhengda Hengling Co., Ltd.	NA	100.0	NA	<ul style="list-style-type: none"> - Chongqing Zhengda Education Group: sponsor of Chongqing Zhengda Software Polytechnic College, which has over 7,000 students in campus; - Chongqing Zhengda Hengling Co., Ltd.: IT outsourcing service company in China

Telecom Services & Solutions

In the Telecom Services sector, Beijing Telestone announced its intension to acquire Shandong Guolian, which has strong ties with wireless operators in Shandong Province. The acquisition will give Telestone greater access to the Shandong market through Guolian's strong customer relationships.

Selected Telecom Services & Solutions Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jul 31, 2007	Enable Capital Management	GuangZhou Global Telecom (OTCBB: GZGT)	3.0	NA	NA	Distributor and trader of rechargeable phone cards, and cellular phones and accessories in Guangzhou
Jul 9, 2007	Beijing Telestone Wireless Telecommunication ¹	Shandong Guolian Communication Technology Co. Ltd.	NA	100.0	NA	Provider of wireless coverage integration services for carriers in Shandong Province

1. Subsidiary of Telestone Technologies Corp. (NASDAQ: TSTC).

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