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CHINA

Autron Corp, a Singapore electronics assembly equipment and services provider, will acquire an 80% interest in **Da Ya Bay Development Ltd (DYB)** for US\$34m. Autron expects to complete the acquisition by May 31, 2007. DYB is a global electronic manufacturing service (EMS) provider incorporated in Hong Kong with a plant in Guangdong. The company offers end-to-end PCBA subcontracting and value-added assembly services. (March 7, 2007)

China Mobile Communications Corp (CMCC) has agreed to acquire 89% of **Paktel**, a Pakistani mobile telecom company, from **Millicom International Cellular**, a Luxembourg mobile operator, for US\$284m cash. CMCC will also assume Paktel's debt, estimated at US\$140m. The transaction is subject to regulatory approval. Millicom put Paktel on the block in November 2006 due to challenging business conditions and a dispute with the Pakistan Telecommunications Authority over frequency interference. (January 23, 2007)

China Motion Telecom International, a Hong Kong wireless telecom provider, has agreed to acquire **Grand Promise International**, a BVI investment holding company which owns 49% of **Beijing Chinese Cultural Development Digital Technology (BCCDDT)**. BCCDDT is a JV engaged in the development and operation of an online electronic karaoke content system. The seller is **Best Delight Group**. The payment will be 50% cash and 50% stock, totalling HK\$240m (US\$31m). (January 4, 2007)

INTRODUCTION

We hope you find the *Asian Technology Newsletter* informative. We are proud to be publishing Issue 50 of our newsletters. Readership has grown steadily since we began publishing them in 1998.

BDA is a corporate finance and advisory firm, which assists multinational clients to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs, restructuring and capital raising. We have offices and professional staff throughout Asia, Bahrain, and in the US and UK.

If you think that BDA's services may be useful to you, please contact us at any one of our offices or email me at ahuntley@bdallc.com. Contact details for our offices are at the back of this newsletter. We look forward to speaking with you in the future.

Andrew Huntley
Managing Director, ahuntley@bdallc.com

Cirrus Logic, a US-based IC designer, has acquired **Caretta Integrated Circuits**, a China-based fabless IC design company, for US\$10.5m cash. The acquisition is in line with Cirrus' strategy of expanding into the Asian analog, and mixed signal IC market, and provides it with a base for long-term strategic growth in China. (January 3, 2007)

Cisco Systems has invested US\$50m in **China Communications Services Group (CCS)**, a spin-off from **China Telecom Group**. CCS is China's leading "pure-play" services company, focusing on designing, delivering and maintaining telecom services and next-generation offerings. The transaction is Cisco's largest-ever direct investment in China. Cisco intends to take advantage of the privatization of China's telecom industry which presents opportunities in that sector, and channels for emerging technologies and services. (December 13, 2006)

Focus Media, China's largest outdoor media group, will acquire Internet advertising service company, **Allyes Information Technology**, for US\$70m cash and US\$155m stock. Allyes will receive an additional payment of up to US\$75m in stock if it meets certain earnings targets from this April to March 2008. (March 2, 2007)

Google has invested US\$5m in **Shenzhen Xunlei Network Technology**, a Chinese website that provides accelerator software to help users download videos from the Internet. Xunlei, whose advertising customers include **Dell**, **Lenovo**, **KFC**, **Motorola**, **Nokia** and **Olay**, will also take US\$15m investment from **Ceyuan Venture**. In FY06, Xunlei's software averaged 1.5 million downloads per day. The investment is part of Google's strategy of expanding in the online video and music market in China. (December 28, 2006)

Korea's **Hynix Semiconductor** announced plans to invest KRW468bn (US\$475m) in **Hynix – ST Semiconductor**, its China chip-making JV with European chip maker **ST Microelectronics** during the H1 2007. Hynix, which owns 66.7% of the JV, will spend the money to expand production capacity. (January 10, 2007)

IBM has sold 300 million shares, amounting to a 3.5% stake, in **Lenovo Group**, the world's third largest PC maker, for US\$123m. IBM intends to gradually reduce its shareholding in Lenovo after the 2005 sale of its PC division to Lenovo in 2005. IBM's stake in Lenovo now stands at 9.7%. Lenovo has also signed a US\$245m, five-year deal with IBM to provide technical support, installation, deployment and other PC services to IBM's customers. (February 6, 2007)

Intel Corp, the world's biggest maker of chips for personal computers, won Chinese government approval to build a US\$2.5bn manufacturing plant in China, its first in Asia. The factory, to be located in the northeastern city of Dalian, will have capacity to produce 52,000 chips per month using 90-nanometer technology. Intel will join companies such as **Taiwan Semiconductor Manufacturing Co** and **Hynix Semiconductor** in building factories in the world's biggest chip market. (March 13, 2007)

Lemonquest, the Spanish publisher of mobile games, has agreed to acquire **i4Game**, the Chinese developer of mobile games, for an undisclosed amount. i4Game, with operations in China, Japan and Korea, specializes in the production of 2D and 3D mobile games. The acquisition increases Lemonquest's geographical presence and provides a 3D games portfolio ready to sell to its mobile carrier customers. Post acquisition, i4Game will operate as a wholly-owned subsidiary of Lemonquest in Beijing. (February 21, 2007)

INDIA

Aegis, a BPO subsidiary of the Indian conglomerate **Essar Group**, has acquired **Global Vantage**, a US credit and receivables management BPO, from **Chrys Capital**, a PE fund, for US\$22m. Global Vantage, with 1,400 employees in Gurgaon, San Jose and Costa Rica, operates in the banking, telecom and automotive

sectors. The acquisition will increase Aegis' revenues by US\$25m. (February 21, 2007)

BT Telecom India, a subsidiary of UK-based **BT plc**, has agreed to acquire **i2i Enterprise**, an Indian enterprise services company specializing in Internet Protocol (IP) communications services, for an undisclosed amount. The acquisition will make BT the largest foreign long-distance carrier in India, and provide it with a broad-based platform for growth in the Indian market. Post-acquisition, BT will channel its services under a single BT brand-name. (February 6, 2007)

Four Soft, an Indian provider of software solutions for transportation and logistics, has agreed to acquire **Transaxiom Holding**, a Danish provider of logistics solutions, along with its subsidiaries in Denmark and Australia, for US\$10m. 60% will be paid in cash and the remaining 40% in stock. The combined entity will have enhanced capability to deliver integrated products and specialized services globally. (December 20, 2006)

Larsen & Toubro Infotech, an Indian IT consulting and services company, has agreed to acquire **GDA Technologies**, a US electronic design services provider, and all of its design centers in the US and India, for an undisclosed amount. Based in Silicon Valley, GDA has 350 employees and 100 customers in the US, Japan and India. The transaction will provide a set of chip design and product realization services to Larsen & Toubro Infotech, and increase its capabilities in the IT services space. (December 13, 2006)

Nimbus Communications, an Indian TV content and broadcasting company, has received an investment of US\$125m from **3i**, **Cisco** and **Oman International Fund**. The investment was through compulsory convertible debentures which will be converted into equity prior to the listing of Nimbus, which is expected sometime before 2010. Post-investment, the shareholding of Nimbus' owner, Harish Thawani, will decrease from 54% to between 40% and 50%, implying an enterprise value of between US\$890m and US\$1.9bn. (January 22, 2007)

Subex Azure, an Indian provider of telecom software solutions, has agreed to acquire **Syndesis**, a Canadian provider of operations support systems (OSS) software, for US\$164m cash. The acquisition will enable Subex to expand its telecom software business to offer a wide range of software solutions. (January 18, 2007)

Vodafone has agreed to acquire a 67% stake in **Hutchison Essar**, the Indian telecom carrier, from **Hutchison Telecommunications International Ltd (HTIL)**, the Hong Kong provider of telecom services, for US\$11bn cash and the assumption of US\$2bn debt. Vodafone will also make an offer to buy Essar Group's 33% stake in Hutchison Essar. The acquisition will strengthen Vodafone's position in the Indian mobile market. As part of the transaction, Vodafone has also signed an MoU with **Bharti Airtel**, the Indian telecom services provider, on infrastructure sharing and the granting of an option to sell its 5.6% direct interest in Bharti to one of Bharti's group companies for US\$1.6bn. The transaction, subject to regulatory approvals, is expected to close in Q2 2007. (February 11, 2007)

Zensar Technologies, an Indian software company, has bought 100% of US-based **ThoughtDigital** for US\$25m. For 2006, software producer ThoughtDigital recorded revenues of US\$27m and EBITDA of US\$3m. (February 23, 2007)

JAPAN

Elecom, a Japanese manufacturer of PCs and digital equipment products, has agreed to acquire **ednet**, a German computer peripherals developer, for Euro13m (US\$17m). As per the agreement, ednet, which recorded sales of Euro19m (US\$25m) in FY05, will change its name to **ednet GmbH**. (February 16, 2007)

EMI Group plc, a UK-based music group, has agreed to acquire the remaining 45% not held in

its JV, **Toshiba-EMI Limited (TOEMI)**, from **Toshiba Corp**, the Japanese electronic appliance manufacturer, for ¥21bn (US\$176m) cash. The acquisition is expected to close by June 2007. TOEMI had pre-tax profits of ¥790m (US\$6.6m) for FY06. (December 13, 2006)

Ricoh, a Japanese group engaged in the production, marketing, after-sales service, and recycling of office equipment, has agreed to acquire the **Printing Systems (PS) Division of IBM** for US\$690m cash. Ricoh will initially acquire a 51% stake, and will progressively acquire the remaining 49% by 2010. Ricoh will also pay a management fee of US\$35m. The transaction will provide PS with the investment necessary for its growth, and is expected to further enable IBM to focus on its core businesses. The transaction, subject to regulatory approvals, is expected to close in Q2 2007. (January 25, 2007).

KOREA

UK-based **Laird Group plc** has acquired **M2sys**, a Korean designer and manufacturer of customized products based on proprietary and patented technology for handheld devices, for £17m (US\$33m) cash. M2sys's FY06 revenues more than doubled. It expects to triple its revenues in 2007. (February 20, 2007)

SK Telecom, Korea's largest mobile carrier, has formed a strategic alliance with **BlueRun Ventures**, the US\$1bn VC fund established by **Nokia**, to seek co-operation in IT businesses. SK Telecom and BlueRun Ventures agreed to cooperate in finding new growth engines in the communications market and fund start-ups with innovative technologies in the IT industry. (February 15, 2007)

Samsung Electronics has formed strategic alliances with **Google** and **Yahoo** as part of its efforts to lead the global mobile internet services market. Samsung plans to launch a "Google phone" that will allow buyers to use Google's mobile

Internet service from Q2 2007. The Google phone will enable the users to access Google's search engine, instant messaging service and maps on their handsets. In addition, Samsung will also develop mobile phones that allow users access to Yahoo's search engine, e-mail and instant messaging services. (January 9, 2007)

A group of private investors has acquired 44% of **Takesystems Co**, a Korea-based LCD on-line testing equipment manufacturer, from **Takesystems Japan**, the Japanese parent, for KRW14.7bn (US\$16m). The investors acquired 2.03 million shares of Takesystems, which had FY06 revenues of US\$18m. (January 6, 2007)

SINGAPORE

Auston International Group, the Singaporean holding company whose subsidiaries provide private education, systems integration and software solutions, has agreed to acquire broadband TV service provider **M2B World Asia Pacific**. The sellers are **Amaru Holdings**, the Singapore investment holding company of **Amaru Inc**, and several private investors. The transaction is a S\$165m (US\$107m) reverse takeover. US-based **Amaru Inc** is a provider of interactive entertainment-on-demand, education-on-demand and e-commerce streaming over Broadband channels, Internet portals, and 3G devices. Auston will issue 660 million new shares at S\$0.25 (US\$0.16) per share. On completion, the current owners of M2B will hold a 66.7% stake in Auston. (January 16, 2007)

I-Flex Solutions, an Indian developer of software products for the financial services industry, has agreed to acquire the Singapore subsidiary of **The Capital Markets Company**, a US software and consulting services provider to the financial and banking industry, for between US\$100m and US\$150m. The transaction will add local knowledge and capabilities to I-Flex's existing Singapore

operation. I-Flex is focusing on top-tier financial institutions. (January 3, 2007)

IQE plc, a UK-based manufacturer of compound semiconductor wafers, has agreed to acquire **MBE Technology**, a Singapore manufacturer of compound epitaxial wafers, for S\$23m (US\$15m). The purchase will be funded by 50% cash and 50% debt. The acquisition will help IQE to enhance its earnings, and to become a supplier of epi wafers into chip manufacturers for the wireless industry. (December 22, 2006).

Qatar Telecom (Qtel), the Qatar-based telecom company, has agreed to acquire a 25% stake in **Asia Mobile Holdings (AMH)** from **Singapore Technologies Telemedia (ST Telemedia)**, a wholly owned subsidiary of government-linked **Temasek**, for US\$635m. ST Telemedia through AMH holds a 49% stake in **Starhub**, the Singapore info-communications firm, and a 41% stake in **Indosat**, the Indonesian telecom company. Qtel and ST Telemedia will use AMH as a vehicle for future mobile telecoms investments in key markets in Asia. (January 15, 2007)

Semitech Electronics, a Singapore engineering solutions provider for the electronics industry, has agreed to acquire **Sky One Network**, a BVI holding company with interests in the logistics sector, for SG\$39m (US\$25m) stock, from Sky One's founders, **Dicky Suen and Lau Hon Kit**. Semitech will issue 704 million shares at S\$0.055 (US\$0.03) per share. The consideration represents 6.3x the net tangible assets of Sky One Network which reported revenues and pre-tax profit of S\$15m (US\$9m) and S\$3.6m (US\$2.2m) for FY06. Sky One Network owns **Sky One Express (HK)** and **Sky One International Freight**, both Hong Kong logistics companies. (January 25, 2007)

Teledata Informatics, the Indian software firm, has acquired a majority stake in **eSys Technologies**, the Singapore IT distribution and PC manufacturer, for US\$105m. eSys offers offshore/outsourcing services through its various centers in India and Singapore. The acquisition

will enable Teledata to leverage eSys' capabilities in manufacturing PCs for its various ongoing e-Governance projects. Post-acquisition, the two companies will invest an additional US\$20m to set up a business off-shoring unit in Chandigarh, India by July 2007. Teledata also intends to acquire the remaining businesses of eSys for US\$50m by May 2007. (February 20, 2007)

TAIWAN

Fairchild Semiconductor, the US provider of semiconductor products, through its subsidiary **New Conversion**, has acquired **System General**, the Taiwan-based supplier of analog power management semiconductors, for NT\$6.3bn (US\$195m) cash. System General reported revenues of NT\$1bn (US\$35m) for the first eleven months of 2006. The acquisition is expected to be EPS accretive from 2008. As part of the deal, the companies will combine their power conversion businesses to form a single unit to target worldwide applications. (February 4, 2007)

Jabil Circuit, the world's sixth-largest electronics manufacturing service (EMS) provider, will acquire **Green Point Enterprises**, a manufacturer of handsets, injection molds and plastic parts. Jabil bought 97% of the company through a tender offer for US\$910m and will now de-list the company from the Taiwan Stock Exchange on April 13. (March 10, 2007)

Lite-On IT, the Taiwan-based CD-ROM drive manufacturer, has acquired **Philips Automotive Playback Modules**, a German manufacturer and supplier of CD and DVD playback modules, from **Philips Electronics**, the Dutch electronics

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company, for an undisclosed amount. The transaction, subject to regulatory approvals, is expected to close in March 2007. (December 28, 2006)

Philips Electronics will start selling its 16.2% stake in **Taiwan Semiconductor Manufacturing Company (TSMC)**, a process that is expected to be finalized before the end of 2010, to meet demands from Taiwan investors. Philips already divested an 80.1% stake in the company's chip unit to a consortium of private-equity firms in Q3 2006 as part of its decision to exit the

semiconductor business. The proceeds will be used for acquisitions or share buybacks. Philips said its 16.2% stake in TSMC is valued at US\$8.5bn. (March 9, 2007)

Yahoo! Taiwan, the Taiwanese computer integrated systems design company, has agreed to acquire **Wretch**, the Taiwanese social media content provider with a user base of 6.5 million, for US\$22m. Post transaction, the two companies aim to improve online photo album and blog services. (December 13, 2006)

Andrew Huntley, Managing Director

Diwakar Mittr, Analyst

ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists multinational companies in expanding their businesses in Asia through JVs, acquisitions, divestments and capital raising. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices below.

New York

Euan Rellie
Business Development Asia LLC
The Economist Building, 11th Floor
111 West 57th St
New York, NY, 10019
Tel (212) 265-5300
Fax (212) 265-4300

Seoul

Hans Kim
Business Development Asia
#1201, Gwanghwamun Officia
163 Sinmunno 1-Ga, Jongno-Gu
Seoul, 110-999, Korea
Tel (82) 2-3276-3150
Fax (82) 2-3276-3155

London

Andrew Huntley
Business Development Asia Ltd
10 Crown Place
Clifton St
London EC2A 4FT
Tel (44) 20-7655-3500
Fax (44) 20-7655-8913

Shanghai

Jeffrey Wang
Business Development Asia Co Ltd
The Center, #3706
989 Changle Road
Shanghai 200031, China
Tel (86) 21-5407-5580
Fax (86) 21-5407-5680

Tokyo

Jeff Acton
Business Development Asia
Crane Toranomom Building 5th Floor
3-20-5 Toranomom, Minato-ku,
Tokyo 105-0001 Japan
Tel (81) 3-3433-5803
Fax (81) 3-3433-5269

Hong Kong

Paul Digiacomio
Business Development Asia Ltd
#1206 Lippo Centre, Tower 1
89 Queensway, Hong Kong
Tel (852) 2537-9565
Fax (852) 2537-4406

Mumbai

Rohit Singh
Business Development Asia
898 Notan Plaza, Suite 4A
Turner Road, Bandra (West)
Mumbai 400050, India
Tel (91) 22-2643-0290
Fax (91) 22-2643-0291

Bahrain

Tim Holder
Business Development Asia
2204 Al Moayyed Tower
Seef District
Manama
Tel (973) 17567915
Fax (973) 17567901