

ASIAN TECHNOLOGY NEWSLETTER

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INTRODUCTION

We hope you find the *Asian Technology Newsletter* informative.

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 and restructuring. We have offices and professional staff throughout Asia, and in the US and Europe.

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.

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CHINA

3Com, the US provider of voice and data networking solutions, has agreed to acquire the remaining 49% stake not held in **H3C**, its China JV with **Huawei Technologies**, the Chinese network solutions provider to telecom carriers, for a cash consideration of US\$882m. Formed in 2003 as a 51:49 JV between 3Com and Huawei, H3C provides IP networking products and solutions. The acquisition, subject to regulatory approval, was a result of the agreement that enabled either JV partner to make cash bids to buy the other partner's stake in H3C. The agreement also binds Huawei to a non-compete agreement with H3C for 18 months after the closing of transaction. Huawei will continue to be a customer to H3C. (November 28, 2006)

Advanced Analogic Technologies, the US supplier of power management semiconductors, has agreed to acquire **Analog Power Semiconductor**, the China semiconductor maker, from **IPCore Technologies**, the Chinese semiconductor manufacturer, for a cash consideration of US\$22m. Under the terms of the agreement, Advanced Analogic will acquire the power management analog business of IPCore Technologies, which includes IPCore's subsidiary Analog Power Semiconductor and certain related assets. The acquisition is expected to enhance Analogic's operations in China, increase its power management design capabilities and enable it to create a design center in China. (September 14, 2006)

China 3C Group, a major retailer and distributor of consumer and business products, has acquired

Shanghai Joy & Harmony Electronics, a web-based consumer electronics retailer, for US\$18.5m in cash and stock. Shanghai Joy is expected to achieve FY2006 revenues of US\$39m and net profit of US\$3.8m. The acquisition will enable China 3C to expand its presence in the online electronics retail market in China. (November 29, 2006)

China Electronics Corp (CEC), the Beijing conglomerate with interests in mobile phones, semiconductors, computers and software, has agreed to acquire the mobile handset business of **Royal Philips Electronics**, which had revenues of US\$500m in FY2005, for an undisclosed consideration. The acquisition is in line with CEC's strategy to expand into global markets and consolidate its handset manufacturing resources. (October 13, 2006)

Cisco Systems of the US has invested US\$50m in **China Communications Services Corp (CCS)**, a spinoff of **China Telecom Group**. The deal represents the networking giant's largest-ever direct investment in China and makes it the largest foreign strategic investor in CCS. CCS, China's first major "pure-play" services company, focuses on designing, delivering and maintaining telecom services and on developing next-generation offerings. Cisco and CCS plan to work together to develop new enterprise technologies for digital video and other 3G telecom applications aimed at improving labor productivity. (December 13, 2006)

Gome Electrical Appliances, China's largest electronics retailer, has agreed to acquire **China Paradise Electronics Retail**, China's 3rd largest electronics retailer, for US\$684m in 92% stock and 8% cash. The acquisition will give Gome a 14% share in Chinese electronics market, making it double the size of its closest competitor, **Suning Appliance**, and gives it a strong presence in Shanghai region. The deal will also allow Morgan Stanley to cash out of its investment in China Paradise (August 26, 2006)

Office Depot, the US office supplies retailer, has agreed to acquire a majority stake in the 500 employee strong **Asiaec.com**, the Chinese online

retailer of office supplies, from **The Carlyle Group**, for an undisclosed consideration. The acquisition will expand Office Depot's presence in the Chinese market, and further leverage its position in Japan and South Korea. Post acquisition, Office Depot will operate Asiaec.com under its international division. (September 28, 2006)

HONG KONG

Keen Ambition Enterprise, the BVI-based electronics sector investment holding company, has agreed to acquire **Pax Technology**, the Hong Kong seller of electronic fund transfer point-of-sale terminals, from **Hi Sun Technology**, the Hong Kong investment holding company, for a cash consideration of US\$25.7m. Keen Ambition will make an initial deposit of US\$0.64m and pay the balance upon completion of the transaction. Hi Sun expects a gain of approximately US\$20.2m from Pax's disposal and intends to utilize the proceeds for expansion of its core business. The transaction, expected to be completed by May 2007, is in line with Hi Sun's strategy to concentrate on its main business of providing customized information system consultancy, integration services, and IT operation value-added services. (November 6, 2006)

Telefonica, the Spanish telecom company, has agreed to acquire an 8% stake in **PCCW**, the Hong Kong integrated communications services provider from **Fiorlatte**, the investment holding company of Hong Kong private investor **Francis Leung Pak-To**, for a cash consideration of US\$420m. PCCW reported revenue and net profit of US\$2.9bn and US\$241m respectively in FY2005. In a related deal, Li Ka-Shing's charitable societies have acquired a 12% stake in PCCW from Mr. Leung Pak-To for a cash consideration of US\$623m. The two deals, which reduce Mr. Lueng Pak-To's holding in PCCW to 2.65%, are part of his strategy of exiting his holdings in PCCW. (November 12, 2006)

INDIA

3i Infotech, the Indian provider of IT products and services, has agreed to acquire a 51% stake in **Professional Access**, the US software services company, from **Orient Information Technology**, the Indian provider of IT solutions and services, and its management for US\$12m. Professional Access reported revenues of US\$24m in FY2005. The acquisition, expected to be completed in January 2007, complements 3i Infotech's service offerings, strengthens its offshore capabilities in US and is expected to be EPS accretive. (November 13, 2006)

3i Infotech has also agreed to acquire **Rhyme Systems**, the UK provider of asset management solutions, from **Primary Capital**, the UK PE firm, for £28m (US\$54m). The consideration represents a multiple of 3x over Primary's investment in Rhyme which posted revenues of £15m (US\$29m) in FY2005. The acquisition enables 3i Infotech to explore the lucrative asset management business in the UK. ***BDA's European associate firm, Close Brothers Corporate Finance, advised Primary Capital on the transaction*** (October 19, 2006)

Electronic Data Systems (EDS), has agreed to acquire a 20% stake in **Mphasis BFL**, the Indian IT and outsourcing solutions provider, for US\$146m in cash. Post transaction, EDS will own 77% of Mphasis. EDS had earlier acquired 51% of Mphasis for US\$380m in May 2006. The offer price of US\$4.51/share represents a premium of 9.21% over the closing price of US\$4.13 of Mphasis on September 19, 2006, one month prior to the deal announcement date. The transaction is expected to be completed by Q1 2007. (October 19, 2006)

GTL, the Indian provider of network engineering and IT services, has acquired **Genesis Consultancy**, the UK provider of network management and professional services to telecom operators and OEMs, for US\$9m in cash. Genesis will merge with GTL's UK wholly-owned subsidiary IGTL Solutions. (October 17, 2006)

Hexaware Technologies, the Indian provider of IT and BPO services, has agreed to acquire **FocusFrame**, the US management consultancy provider, for US\$34.3m. The consideration includes an upfront cash payment of US\$25m, with earn-out of US\$9.3m to be paid in the next 24 months based on FocusFrame meeting projected revenue and EBITDA margin targets. The acquisition will enhance Hexaware's ability to provide its customers with advanced automated testing frameworks by significantly reducing their testing costs and time. It will further allow Hexaware to continue delivering high quality testing solutions on a larger scale and will be earnings accretive. The transaction is expected to be completed by May 2007. (November 6, 2006)

Hinduja TMT (HTMT), the Indian IT firm, has agreed to acquire **AFFINA**, the US outsourcer of call center and database marketing services, for an undisclosed consideration. Affina reported revenues of US\$60m in FY2005. Post acquisition, Affina will function as a subsidiary of HTMT. The acquisition broadens HTMT's customer base, enhances its delivery capabilities, and enables Affina to offer multilingual and multimedia supported premium services. (October 25, 2006)

Providence Equity Partners, the US PE firm, and **Citicorp Venture Capital (CVC)**, the VC arm of Citigroup, have agreed to acquire a 20% stake in **Idea Cellular**, the Indian mobile phone operator, from Indian conglomerate **The Aditya Birla Group** for US\$623m. Under the terms of the agreement, Providence will acquire a 15% stake in Idea for US\$400m with the balance of 5% to be acquired by CVC. Aditya Birla had earlier acquired a 48% stake in Idea from Tata Group for US\$950m in April 2006. (October 12, 2006)

Saksoft, the Indian provider of business intelligence & software solutions, has acquired **Acuma Group**, the UK provider of information management solutions & strategic consultancy services, for a cash consideration of US\$17m. Acuma Group reported revenues of US\$20m for FY2005. The deal is in line with Saksoft's strategy of expanding its

operations in the software solutions sector. (October 3, 2006)

Sonata Software, the Indian IT consulting and software services company, has agreed to acquire a 50.1% stake in **TUI InfoTec**, the German IT services company, from TUI, the German tourism group, for a cash consideration of €18m (US\$23.4m). TUI InfoTec posted revenues of €30m (US\$169m) in FY2005. The acquisition will expand Sonata's position in the European market. (September 27, 2006)

Tata Consultancy Services (TCS), the Indian IT consultancy firm, has acquired a 75% stake in **TKS-Teknosoft**, the Swiss IT services company for a consideration of CHF100.5m (US\$82.3m). TKS reported revenues of CHF71.5m (US\$59.5m) and net income of CHF9.6m (US\$8m) for FY2005. The transaction is expected to expand TCS' portfolio of banking and financial services products as well as increasing its presence in Switzerland and France. The deal includes the acquisition of TKS' software products *ALPHA* and *e-Portfolio* for, respectively, private banking and wealth management. (October 31, 2006)

Tectura, the US provider of integrated business solutions, has agreed to acquire **Euroinfo Systems**, the Indian IT services provider, for an undisclosed consideration. The deal is in line with Tectura's strategy to expand in the Indian market, achieve business process improvement and greater efficiency while aiding Euroinfo's strategy to offer a broader range of industry solutions and products to the Indian and global markets. The transaction, subject to regulatory approvals, is expected to be completed by the end of 2006. (November 8, 2006)

UTV Software Communications, the Indian media and entertainment firm, acquired 51% share in **Indiagames**, India's leading mobile game developer with a 40% market share, for US\$15m. UTV will also invest US\$30m to enhance its presence in the animations movie segment over the next three years. The acquisition is expected to be synergistic with UTV's current businesses

and strengthens its presence in the animation and gaming industry (December 8, 2006)

Wipro Infrastructure Engineering (WIN), the Indian engineering services and solutions provider, has agreed to acquire **Hydrauto Group**, the Swedish cylinder and valve manufacturer, from **Accent Equity Partners**, the Swedish PE firm, for a cash consideration of US\$31m. The acquisition will help Hydrauto to establish its operations in the Asia-Pacific region, and allow WIN to gain an European footprint, a long-standing customer base and complementary engineering skills. (September 28, 2006)

JAPAN

A **Bo Dankis** led team has agreed to acquire **Gadelius**, the Japanese distributor of selected high-tech products, from Swedish PE firm **Ratos**, in an MBO transaction for a consideration of SEK190m (US\$26m). The deal will result in an exit loss of approximately SEK 10m (US\$1.4m) for Ratos which had originally acquired Gadelius in 2001 along with **3i Group**. 3i sold its 50% stake to Ratos in 2004. (September 11, 2006)

D&M Holdings, the Japanese manufacturer and supplier of audio, video and media equipment, has agreed to acquire **Philips Sound Solutions (PSS)**, the Belgium producer of consumer electronics and automotive sound systems, from **Royal Philips Electronics**, for an undisclosed cash consideration. PSS reported revenues of US\$156m in FY2005. Post transaction, D&M Holdings will be renamed D&M Premium Sound Solutions and will become a part of the automotive OEM business unit of D&M Holdings. The acquisition will give D&M Holdings access to patented technologies and expertise allowing it to use these in its own products, and will provide scale and infrastructure to act as a Tier 1 supplier. D&M hopes to expand its branded

automotive business, and access a broader customer base in the OEM automotive business. It is also in line with Philips's strategy of divesting its non core businesses. (November 28, 2006)

Fujitsu has agreed to acquire the JV1 and JV2 facilities, from **Spansion Japan**, the semiconductor producing subsidiary of **Spansion**, the US developer, designer and manufacturer of flash memory products, for a cash consideration of US\$150m to be paid in Q2 2007. Spansion Japan will use the proceeds to fund Spansion's SP1 300mm manufacturing facility in Aizu-Wakamatsu. (September 28, 2006)

GD, the Japanese investment fund, has acquired an 85% stake in **Mobliss**, the US provider of entertainment focused mobile applications and messaging solutions, from **Index Holdings**, the Japanese provider of wireless entertainment applications and content, for an undisclosed consideration. Mobliss posted revenues of ¥1bn (US\$9.5m) in FY2005. Index Holdings had earlier acquired Mobliss in 2004 for US\$15m. (October 4, 2006)

KOREA

RealNetworks, the US creator of digital media services and software, has agreed to acquire **WiderThan**, the Korean provider of mobile internet solutions and services, for US\$17.05/share or a total consideration of US\$338m in cash. The offer price represents a premium of approximately 60% to WiderThan's closing price of US\$10.65/share on August 11, 2006, one month prior to the deal announcement. WiderThan's major investors include US PE firms **Apax Partners**, **i-Hatch Ventures** and **BlueRun Ventures**; **SK Telecom**, the Korean mobile telecom company; and Hong Kong PE firm **SOFTBANK Asia Infrastructure Fund (SAIF)**. The transaction, subject to

regulatory approvals, is expected to enhance RealNetworks' digital entertainment products and services and accelerate its global reach. Upon closing, WiderThan will operate as a wholly owned subsidiary of RealNetworks and will maintain its existing employee base. (September 12, 2006)

Videocon International, the Indian manufacturer of consumer electronics products, and **Ripplewood Holdings**, the US PE firm, have signed a MoU to acquire **Daewoo Electronics**, the distressed South Korean electronics firm, for W700bn (US\$747m). Daewoo Electronics, with assets of US\$1.8bn, has six plants in Korea and 18 overseas and has a brand presence in US and European markets, which are attractive to Videocon. (October 24, 2006)

PHILIPPINES

Telus International, the Singapore provider of business and IT services & solutions, has agreed to acquire the 30% stake not currently held in **TISCS**, the Singapore investment holding company, from **Singapore Computer Systems (SCS)**, the Singapore provider of information and communications technology services, for US\$16.1m. TISCS, a 50:50 JV between Telus and SCS was formed in 2005 to acquire a 70% stake in **Ambergris Solutions Philippines**, the Philippines-based CRM and back office solutions provider. The deal is expected to result in a US\$5.4m gain for SCS and will make Telus the 100% owner in TISCS and 70% stakeholder in Ambergris. (September 6, 2006)

To submit stories to the *Asian Technology Newsletter*, please contact Diwakar Mitr in Mumbai at (91) 22-6651-7128 or email dmitr@bdallc.com.

SINGAPORE

Byte Power Group, the Australian holding company with interests in IT solutions, has agreed to acquire **Banko Intelligence Equipment**, the Singapore manufacturer of automated electronic terminals, from **BIE Bridge Linker Holding**, the BVI-based manufacturer of automated terminals, for a cash and shares consideration of A\$15m (US\$11.3m). As per the terms of the agreement, US\$0.6m will be payable in cash and the remainder will be paid in Byte Power stock. The agreement also includes an earn-out payment of A\$7.5m (US\$5.6m) in shares of Byte Power and is conditional on Banko achieving an earnings target of A\$5m (US\$3.8m) in FY2007. The acquisition offers synergies with Byte Power's existing e-kiosk business in China, and is expected to have a positive impact on Byte Power's earnings. Post acquisition, Banko will operate as a subsidiary of Byte Power, which also plans to introduce Banko's automated terminals range in the Australian market. (September 13, 2006)

Flextronics International, the Singapore provider of electronics manufacturing services, has agreed to acquire **International DisplayWorks (IDW)**, the US supplier of LCD displays and modules, from **The Pinnacle Fund**, the US PE firm, for US\$6.55/share or a total consideration of US\$291.3m in stock. The offer price of US\$6.55/share represents a premium of 32.59% over IDW's closing share price of US\$4.94 on August 4, 2006, one month prior to the announcement date. The acquisition is in line with Flextronics' strategy to vertically integrate its solutions offering by adding LCD design and manufacturing capabilities. Flextronics will combine IDW's LCD operations with its Camera Module Group, TV tuner, and Wifi and TFT module assembly operations to create a new business unit within Flextronics' Components Division. (September 4, 2006).

TAIWAN

Atheros Communications, the US developer of advanced wireless solutions, has agreed to acquire **Attansic Technology**, the Taiwanese semiconductor company, for a cash and stock consideration of US\$71.5m. Attansic is majority held by ASUSTek Computer, the Taiwanese supplier of PC motherboards, modems and gateways. Under the terms of the agreement, Atheros will pay approximately US\$47m in cash and US\$25m in its common stock. The acquisition will help Atheros' to deliver complete, cost-efficient system solutions and leverage its customer base in the retail, PC OEM and service provider markets. The deal, subject to regulatory approvals, is in line with Atheros' strategy to expand its sales and engineering resources in the Asia region. (October 23, 2006)

Jabil Circuit, the US electronic products & solutions firm, has agreed to acquire a 100% stake in **Taiwan Green Point Enterprise**, the Taiwanese provider of plastic parts for mobile phones, battery chargers, optical lenses and motor vehicles, for NT\$109/share (US\$3.35/share) or a total consideration of US\$886m. The offer represents a premium of 16% over Green Point's closing share price of NT\$93 (US\$2.77) on November 8, 2006, two weeks prior to the deal announcement. The acquisition, subject to regulatory and shareholder approvals, is expected to extend Jabil's offering of sector specific supply chain solutions and diversify its customer base. (November 22, 2006)

MBK Partners, the Korea PE firm, has acquired a 60% stake in **China Network Systems**, the Taiwanese TV network, from **Koos Group**, the Taiwanese financial services company, and **Star Group**, the Hong Kong television broadcaster, in an auction for a consideration of NT\$30.5bn

(US\$917.3m). MBK acquired a 40% stake from Koos and the remaining 20% from Star. **Newbridge Capital, Macquarie, KKR and Goldman Sachs Private Equity** were the other parties participating in the auction. The acquisition is in line with MBK's strategy to invest in the growing Taiwanese cable telecom market. (October 18, 2006)

VIETNAM

Intel Corporation, the world's largest semiconductor manufacturer, has announced an investment of US\$1bn to build a chip assembly and testing plant in Ho Chi Minh City. The proposed plant will be Intel's biggest single assembly and testing facility worldwide. The announcement came on the back of the US House of Representatives vote to resume normal trade relations with Vietnam as a precursor to President George W. Bush's visit to the country. (November 13, 2006)

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ABOUT BDA

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

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