

ASIAN TECHNOLOGY NEWSLETTER

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CONTENTS

INTRODUCTION	1
CHINA	1
HONG KONG	2
INDIA	3
JAPAN	4
KOREA	5
SINGAPORE	5
TAIWAN	7

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

A consortium comprising of UK's **Ashmore Investment Management** and US-based **AMCs Spinnaker Capital Group** and **Clearwater Capital Management**, has agreed to acquire **Asia Netcom**, the Hong Kong-based telecom carrier, from **China Netcom (CNCI)**, for a consideration of US\$168.8m. The deal is in line with China Netcom's intent to sell Asia Netcom, as it is expecting tough competition in the wholesale market over the next few years and instead wants to concentrate on mainland China. The transaction includes control of a US\$2.5bn, 19,500 km length undersea fiber-optic network that connects Singapore, Hong Kong, Taiwan, the Philippines, South Korea and Japan. (June 5, 2006)

Achievo Corporation, the US-based offshore software and information technology outsourcing provider has agreed to acquire **Beijing Beifang Xinyu Information Technology (BBX)**, the Chinese software development company, for an undisclosed consideration. The transaction should strengthen Achievo's position as independent overseas offshore software outsourcing business provider in China. Post acquisition, Achievo will absorb all of the 450 employees of BBX and will rename it Achievo BBX. (August 6, 2006)

CNET Networks, the US-based internet company focusing on personal technology, games and entertainment and business technology, has acquired **xcar.com.cn**, the China-based online provider of reviews and information for car purchases, for a consideration of US\$10m. The acquisition should help CNET establish its online presence

and position itself into the automobile market in China. (July 24, 2006)

A consortium of US-based VC firms **DCM-Doll Capital Management, Alto Global LLC** and **Walden International Investment Group**, has agreed to acquire an estimated 12% stake in **DangDang.com**, the Chinese online retailer of books, movies and music, for a consideration of US\$27m, through a Series C round of funding. Post transaction, the total amount of funding in DangDang.com will increase to US\$40m. The new funds will be utilized to strengthen the sales and marketing efforts in existing merchandise categories, enable DangDang.com to diversify into various new categories of merchandise and prepare the company for its IPO. DCM's principle Ruby Lu will join DangDang.com's Board of Directors. (July 6, 2006)

Hainan Huandao Industry, the China-based conglomerate, has agreed to acquire a 33.92% stake in Handing Guangdian, the China-based computer peripherals supplier, from **Cyberchina Investment Shares**, the Cayman Island-based Chinese computer sector investment firm, for a consideration of RMB208.4m (US\$ 26.1m). Hainan Huandao will pay the consideration by selling a stake in its subsidiary, **Tianjin Lvyuan Shengtai Nengyuan**, the China-based provider of alternative energy, to Cyberchina. The transaction is subject to approval by the China Securities Regulatory Commission. (July 13, 2006)

Impress Holdings, the Japanese holding company operating in the publishing business, has agreed to acquire a 19.99% stake in **Yesky.com**, the Cayman Islands-based professional IT website, from **ChinaByte Group**, the China-based IT related web media group, for RMB79.9m (USD 10m). Under the terms of the agreement, Impress Holdings will subscribe to 3,710,000 new shares of Yesky's common stock. Yesky, with 2005 sales of RMB100m (US\$12.5m), will use the funds to pursue strategic acquisitions. (June 16, 2006)

Keyland Group, the Irish holding company owned by Leslie Buckeley and Denis O'Brien, with

interests in online recruitment companies, has acquired **Shjobs.com**, the Chinese online recruitment company, for an estimated consideration of €10m (US\$12.5m). The acquisition is a part of Keyland's expansion strategy in China. (July 1, 2006)

VeriSilicon Holdings, the Chinese integrated circuit (IC) design services firm, has acquired the ZSP digital signal processor (DSP) unit from **LSI Logic Corporation**, the US-based company supplying semiconductor and ICs, for a consideration of US\$13m, in cash and stock. According to the terms agreed, the employees of DSP unit will be absorbed by VeriSilicon. The acquisition should enable VeriSilicon to expand its operations in the ASIC segment and allow LSI Logic to focus on the information storage and consumer electronics markets. (June 30, 2006)

HONG KONG

Mobile Streams plc, the UK-based provider of media entertainment content, has agreed to acquire **Mobilemode**, the Hong Kong-based mobile entertainment and information content group, for a total consideration of €8m (US\$10m) in a cash and stock deal. The acquisition strengthens Mobile Streams' position in Asia Pacific with a specific focus on Australia, New Zealand, Malaysia, Singapore and Hong Kong. Additionally, Mobile Streams believes it will benefit from Mobilemode's experienced management team and their strong relationships with portals and mobile network operators. Mobilemode had sales of US\$1.9m and Profit before tax of US\$90,000 for the year ending March 2006. (July 14, 2006)

Incisive Media plc, the UK-based provider of business information has agreed to acquire **AVCJ Group Limited**, the Hong Kong-based provider of information to VCs, PEs and M&A advisors in Asia, for US\$6m (with US\$3m in cash and US\$3m in stocks) and deferred earn-out consideration of

US\$9m payable in cash over three years, subject to certain performance targets. AVCJ had FY2005 sales of US\$3.3m, PBT of US\$1m and net assets of US\$1.1m. The deal is in line with Incisive Media's strategy of bringing valuable coverage in Asia which it can leverage to provide a comprehensive service offering to the M&A, PE and VC community and also complements its European position in the private equity publishing, data and conference business. (June 16, 2006)

Syniverse Technologies, the US-based global communications technology provider, has acquired **Interactive Technology Holdings Limited (ITHL)**, the Hong Kong-based telecommunications solution provider, for a consideration of US\$45m including earn-outs of US\$7m based on target's sales and EBITDA figures in FY2006. The acquisition, funded internally and expected to be profitable in 2006, will enable Syniverse to expand its operations in the Asia Pacific region and add complementary customer base, advanced new products and development capabilities. The deal should also benefit ITHL with increased sales and marketing opportunities. (June 19, 2006)

INDIA

Carlyle, the US-based PE firm, has agreed to acquire a 20% stake in **Allsec Technologies**, the India-based provider of outsourced business support services, for a cash consideration of INR791.7m (US\$17m). As per the terms of the agreement, Carlyle has agreed to acquire 3,045,106 shares of Allsec Technologies at a price of INR260 (US\$5.6) per share, which translates into a premium of 9.24% over Allsec's closing price of INR238(US\$5.1) on August 29, 2006. The offer, subject to regulatory terms and conditions, is expected to be effective from October 23, 2006 to November 11, 2006. (August 30, 2006)

Genpact, the Indian BPO firm, has agreed to acquire **MoneyLine Lending Services**, the US-based provider of end-to-end mortgage origination

and fulfillment services, for an undisclosed consideration. The acquisition, which will make MoneyLine a part of Genpact Mortgage Services, will provide the target with access to Genpact's global delivery capability while enabling Genpact to deepen its offerings in the mortgage services business. (July 31, 2006)

Hutchison Telecommunications International (HTIL), a wholly owned subsidiary of **Hutchinson Whampoa**, has agreed to acquire a 5.11% stake in **Hutchison Essar**, the India-based telecom carrier, from Indian IT firm Hinduja TMT (HTMT), for a cash consideration of US\$450m. Through this acquisition, Hutchison Whampoa will increase its holding in Hutchinson Essar to 67%. HTMT will use the proceeds received from the disposal of its stake in Hutchinson Essar in pursuing its expansion plan and exploring further opportunities in new lines of business. (June 30, 2006)

NIIT Global, a subsidiary of the Indian IT education and training firm **NIIT Limited**, has agreed to acquire the US-based learning solutions provider **Element K**, from US -based PE firm **Wasserstein & Co LP** and US -based VC firm **Rustic Canyon Ventures** for a total consideration of US\$40m. The acquisition is in line with NIIT's strategy of achieving growth in developed economies and positions it as a leading player in the learning BPO market. The combined entity will have more than 3000 employees and over US\$250m in sales. Element K, with revenues of US\$80m in 2005, intends to leverage NIIT's range of SEI-Level 5 assessed learning services with its catalogue of e-learning and instructor-led courses and hosted learning platform. (July 27, 2006)

R Systems International, the Indian software firm, has agreed to acquire **WebConverse Inc**, the US\$5.1m turnover US-based technical support and mobile application company, for an estimated consideration of US\$10.7m. The acquisition would enable R Systems to provide services with onshore & offshore support capabilities, and would strengthen its position in high technology sector with WebConverse's domain expertise in the mobile applications market. (July 26, 2006)

Sasken Communication Technologies, the Indian telecom firm, has agreed to acquire **Botnia Hightech Oy**, the 230 employee strong Finland-based provider of hardware, software, mechanical design and testing services, for a cash consideration of €5.5m (US\$44.4m). Botnia had annual sales of €17.7m for the year ending April 2006. The acquisition will allow Sasken an entry into the European markets. (July 26, 2006)

Sobha Renaissance Information Technology, the privately held Indian IT firm, has acquired the German software developer **Billing Components AG** from **Planet IT GmbH**, the German IT company, and other private investors, for an undisclosed consideration. The acquisition should allow Sobha to provide software solutions to a full range of telecom service providers, thereby broadening its operational and business domain. (July 15, 2006)

Wipro Technologies, the Indian IT services firm, has acquired **Saraware Oy**, the Finland-based provider of design and engineering services, for €5m (US\$31.3m) including assumed net debt. Under the terms of agreement, Wipro will also pay an undisclosed earn-out based on Saraware achieving targeted financial conditions over a period of 18 months. Aside from increasing geographical reach, the acquisition would also give Wipro a strong foothold in the areas of Radio Networks and Secure Mobile platforms. (July 7, 2006)

JAPAN

Asyst Japan, the Japanese subsidiary of **Asyst Technologies**, the US-based provider of integrated automation systems for the semiconductor manufacturing industry, has agreed to acquire an additional 44.1% stake in **Asyst Shinko Inc (ASI)**, the Japanese provider of full-line AMHS (Automated Material Handling Systems) products, from **Shinko Electric Company Limited**, the Japanese manufacturer of heavy electrical machinery and

precision electronic components, for a cash consideration of ¥11.7bn (US\$100.6m). Asyst Shinko was founded as a 51:49 JV between Asyst Technologies and Shinko Electric in 2002 for total investment of US\$128.8m. As per the terms of the agreement signed then, either Shinko or Asyst Technologies may call for Asyst Japan to purchase the remaining 4.9% stake in ASI for a consideration of ¥1.3bn (US\$11m) one year after the closing of this transaction. Asyst will fund the transaction and related fees with US\$20m of cash and US\$95m-US\$100m of debt. Asyst expects the transaction to be accretive and provide its customers with interoperability between Asyst and ASI products, fully integrated solutions for customers' emerging technical challenges, and greater sales and service reach through their combined resources. (June 22, 2006)

Alcatel has acquired the remaining 34% stake in **Evolium**, the French manufacturer of third-generation UMTS mobile networks, from **Fujitsu** for an undisclosed consideration. Evolium was established in 2000 as a 66:34 JV between Alcatel and Fujitsu. The acquisition is in line with Alcatel's strategy to increase its market share in the mobile network market. (August 3, 2006)

DesignExchange, the Japanese software development firm, has agreed to acquire **LinkTech Technologies**, the British Virgin Island-based mobile equipment manufacturer, from **Guangzhou Yeahcom Communications Technology**, the Chinese mobile contents producer, and **Jasper Dragon Holdings**, another British Virgin Island-based holding company, for ¥1.7bn (US\$14.6m). Yeahcom and Jasper Dragon held 51% and 49% stakes in Linktech respectively. (June 23, 2006)

GeoTrust Japan, the Japanese provider of electronic security services and a subsidiary of **GMO Hosting & Security**, the Japanese provider of web hosting and internet security services, has agreed to acquire **Certification Services**, the UK-based provider of electronic certification services, for a total consideration of US\$5.3m. Post transaction, Certification Services will become a wholly owned subsidiary of GeoTrust Japan. (August 23, 2006)

KDDI Corporation, the Japanese telecom company and **BT Group plc**, the UK-based communications solutions provider, have agreed to form a 50:50 JV to provide global managed services and network-centric outsourcing solutions to Japanese MNCs. The JV will have approximately 100 employees and estimated sales of US\$43m in its first year of operations. BT expects the sales to grow to more than US\$1bn in a few years. BT will transfer a major part of its business and resources into the JV, which will continue to provide carrier, financial and technology services directly. The JV is expected to benefit through BT's global capabilities and outsourcing track record and KDDI's local relationships, capabilities and focus on the Japanese market. (June 26, 2006)

MTV Networks has acquired the 68% stake that it does not already own in **MTV Japan Inc**, the Japan-based provider of cable and satellite network services, from **H&Q Asia Pacific (H&QAP)**, the Singapore-based PE firm for an undisclosed consideration. The acquisition, which would make MTV Japan a 100% subsidiary of MTV Networks, is in line with MTV's strategy of international growth and expansion in fast growing digital media markets of Asia and will enable it to operate its companies on a multi-platform basis. (August 29, 2006)

Panasonic Europe, the UK-based subsidiary of Japanese consumer electronics group **Matsushita Electric**, has acquired **Elixent**, the UK-based semiconductor manufacturer, from **3i**, the Belgium PE firm **GIMV** and Japanese VC firm **NIF SMBC Ventures**, for a consideration of US\$20m. Post acquisition, Elixent will operate as Panasonic Strategic Semiconductor R&D Center and Matsushita plans to use the *D-Fabrix* technology developed by Elixent in its *Unipher* platform for chips. (July 14, 2006)

Seiko Epson Corporation, the Japanese developer and manufacturer of information related equipment, has agreed to acquire the 50% stake not already held in **Yasu Semiconductor Corporation**, the Japanese semiconductor

manufacturer, from **YK IBM AP Holdings**, the Japanese subsidiary of **IBM Corporation**, for a consideration of ¥9.5bn (US\$81.3m). Yasu was established in June 2001 as a 50:50 JV between Epson and IBM. IBM had a right to exercise an option to sell its 50% stake in Yasu to Epson on or after June 2006, while Epson had an option of purchasing the stake from IBM on or after the same date. This transaction resulted from Seiko exercising its call option. (June 23, 2006)

KOREA

Analog Devices (ADI), the US-based company specializing in high performance analog, mixed-signal and digital signal processing integrated circuits, has agreed to acquire **Integrant Technologies**, the South Korean manufacturer of Digital Multimedia Broadcast (DMB) tuners, from a group of VC and PE investors, for US\$127m in cash. The agreement also includes an earn-out of US\$33m payable upon the achievement of certain milestones by Integrant. The deal is expected to increase ADI's revenue by 1% in each of the next few coming quarters and should enable it to gain the technology and systems expertise to provide a complete signal chain for multi-standard multimedia applications to its customers. (June 7, 2006)

SINGAPORE

Balda Investments Singapore (BIS), the Singapore-based investment holding company and a subsidiary of **Balda AG**, the German developer

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and manufacturer of plastic components, has agreed to acquire a 50% stake in **TPK Holding**, the China-based producer of touch screen solutions, from the **Michael Chiang** family, for a consideration of €9.3m (US\$74.1m). Of the €9.3m, €40m will be new capital in TPK. This acquisition, funded through the issue of an €30m option bond by Balda AG in a private placement, should enable Balda to develop new technologies for the Infocom and other new markets and increase its revenues from €300m to €50m and its profit from €30m to €5m in 2007. Post transaction, BIS will operate TPK as a JV with the Michael Chiang family. (July 26, 2006)

Global Voice Group, the Singapore-based network infrastructure company, has agreed to acquire a 50% stake in the European fiber optic assets of **Viatel Holding (Bermuda)**, the UK-based communications services provider, for a consideration of €18.5m (US\$23.1m). Under the terms of the agreement, the consideration will include five of the Viatel's fiber pairs in each of seven European cities which will be transferred to Global Voice over a 12-month period. The deal includes a long haul inter-city fiber network across Europe covering Germany, France, Belgium, Holland and the UK totaling 5,424 km, and built at a cost of €50m (US\$812m). The acquisition is intended to help Global Voice to reduce its operating costs, expand its product portfolio and increase its revenues by €1.8m (US\$2.3m). (June 14, 2006)

NE Holdings, the Mauritius-based investment holding company indirectly owned by the **HSBC PE** fund, has agreed to acquire a 68.27% stake in **Nera Electronics**, the Singapore-based electronics manufacturing services company serving OEMs, from **Nera Telecommunications (NeraTel)**, the Singapore-based solutions provider and other shareholders, for a cash consideration of S\$58.6m (US\$37m) or S\$0.26/share (US\$0.16/share). The offer represents an 18.7% premium over Nera Electronics' last closing price of S\$0.21/share (US\$0.13). Subsequent to this offer, NE Holdings

is required to make a mandatory offer for the remaining stake. The disposal of Nera Electronics will allow NeraTel to focus on its core competence in developing and providing products, services and solutions for the telecom and infocom industries. The transaction, subject to the approval of NeraTel shareholders, is expected to be completed by the end of 2006. (July 7, 2006)

Samsung Electronics of Korea and **Siltronic AG**, the German producer of ultra pure silicon wafer semiconductors and a subsidiary of **Wacker Chemie**, the Germany-based chemical group, have agreed to form a 50:50 JV called **Siltronic Samsung Wafer** for manufacturing silicon wafers, for a total investment of US\$1bn. The JV, to be based in Singapore, will commence production in mid-2008 and is expected to reach a capacity of 300,000 wafers per month and 800 employees by 2010. The transaction will expand both Siltronic's and Samsung Electronics' position in Singapore. (July 14, 2006)

SunGard Asia Pacific, the Singapore-based provider of software and processing solutions and a subsidiary of **SunGard Data Systems**, the US-based provider of integrated software and processing solutions for financial services institutions, has made a recommended cash offer of S\$120.2m (US\$75.9m) or S\$0.36/share (US\$0.23/share) for **System Access Limited (SAL)**, the Singapore-based provider of banking software for financial services institutions. The offer represents a 20% premium over SAL's previous closing price of S\$0.30/share (US\$0.23/share). Upon completion, SAL will operate as a wholly owned subsidiary of SunGard under the leadership of Mr. Leslie Loh, the Founder, Executive Chairman and CEO of SAL. SunGard's acquisition of SAL will provide it with an access to the core banking segment and an expanded portfolio of product offerings that includes core banking alongside its existing trading, treasury, risk and wealth management offerings. (July 24, 2006)

TAIWAN

Littelfuse, the US-based provider of circuit protection solutions for computers, telecom and medical devices, has agreed to acquire **Song Long Electronics**, the Taiwan-based manufacturer of metal oxide varistors, for a cash consideration of US\$5.5m. The acquisition is in line with Littelfuse's strategy of expanding its operations in Asia. (June 21, 2006)

Optical Communication Products (OCP), the US-based designer and manufacturer of fiber-optic communication components and sub-systems, has acquired **GigaComm Corporation**, the Taiwanese supplier of passive optical network (PON) fiber-to-the-home (FTTH) components, for a cash consideration of US\$20m. Aside from entering Asia, the acquisition will enable OCP to increase its projected revenues by 25%, further broaden its manufacturing capacity and product development capabilities in the telecommunications market so as to provide it with scale and geographic diversity, and strengthen its position in the fiber-to-the-home market. (July 14, 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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