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COMP/M.4502 - LITE-ON / PBDS

SECTION 1.2

Description of the concentration

Lite-On IT Corporation (**Lite-On**) has agreed to acquire the 49% stake held by BenQ Corporation (**BenQ**) in a joint venture between BenQ and Koninklijke Philips Electronics N.V. (**Philips**), currently named Philips & BenQ Digital Storage Corporation (**PBDS**).

In addition, further to an inter-conditional agreement, Lite-On proposes to acquire the production facilities of Philips' automotive playback modules business (**APM**). As part of a simultaneous and inter-conditional agreement, PBDS will acquire the remainder of APM from Philips. This latter element of the transaction has been notified to the Commission as a separate concentration.

Following the proposed transaction, PBDS will be renamed Philips & Lite-On Digital Solutions Corporation.

PBDS is active in the development, design, marketing and sale of optical data-storage disk drives (**ODDs**) primarily for personal computers. Under the terms of the proposed transaction, PBDS will be jointly controlled by both Philips and Lite-On, and will continue to be a full-function joint venture.

APM provides automotive playback modules, such as CD and DVD disk drives, for in-car multimedia and navigation applications.

Lite-On is part of the Lite-On Group, and is 51% owned by Lite-On Technology Corporation (**Lite-On Tech**). The Lite-On Group is active worldwide in digital convergence (namely in computer, communications, and consumer electronics sectors). Lite-On is the subsidiary of Lite-On Tech that manufactures and markets ODDs.

With the imminent introduction over the coming months of new blue-laser ODD technology (namely, "Blu-ray" and high-density DVD) onto the market, PBDS and Lite-On consider it beneficial to align their activities quickly, in order to maximise their ability to further their growth in this area, in direct competition with other joint ventures which are already working closely with their parent companies to design, test and manufacture the new products.

Furthermore, Philips has decided to sell APM in order to focus on its other activities. Lite-On wishes to purchase the APM production facilities in order to expand its existing ODD activities into the automotive playback module sector, where it has an interest in developing its activities.