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## **China's Anti-Monopoly Bureau - Decision to Approve HP's Acquisition of 3Com**

**By**

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**26 April 2010**

### ***Background***

HP and 3Com Corporation (3Com) announced in November 2009 that they had entered into a definitive agreement under which HP will purchase 3Com, a leading provider of networking switching, routing and security solutions, at a price of \$7.90 per share in cash or an enterprise value of approximately \$2.7 billion.

This combination was promoted as being going to transform the networking industry and underscore HP's next-generation data center strategy built on the convergence of servers, storage, networking, management, facilities and services. The resulting business outcome was expected to help customers simplify the network, deploy a unique and innovative edge-to-core

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network fabric for the enterprise and improve IT service delivery capabilities, all delivered with best-in-class price-performance.

The terms of the transaction were approved by the HP and 3Com board of directors, shareholders, and also won EU approval and the approval of China's Ministry of Commerce successively.

On 12 April 2010, HP announced that it had completed its acquisition of 3Com at a price of \$7.90 per share in cash or an enterprise value of approximately \$2.7 billion.

### ***HP in China***

China Hewlett-Packard Co., Ltd., which was established in 1985, was the first Sino-American high-tech enterprise in China. China Hewlett-Packard Company's headquarters is located in Beijing, and up until the date of writing, has set up 9 regional headquarters, 28 city offices, 37 support service centers, and more than 200 gold medal service outlets, two factories, a global software development center, a global operation support center, and HP commercial institute, HP IT management institute, HP software engineering institute, existing staff of about more than 150,000. HP's commitment to China was clear, and its general business reputation in China is strong.

### ***3COM in China***

H3C Technologies Co., Limited (H3C), commenced as a JV between 3Com Corporation and Huawei – it was a leading global supplier of IP-based products and solutions. With principal operations in Hangzhou, China, H3C employed 4,800 people worldwide. Following Huawei's unsuccessful bid to buy out 3Com, Huawei reduced its ownership in H3C and HP became interested in taking over 3Com.

### ***Market Shares***

Via market research, it seemed settled the prior to the transaction going ahead, the relevant product market shares were as follows:

1. Router market: TP-Link (24.39%), Tengda (19.93%) and D-link (19.25%), H3C (3.81%);
2. Switches: H3C (23.2%), CISCO (19.9%) and TP-LINK (15.78%), Zte (10.83%), Huawei (10.15%);
3. Server market, IBM (36.93%), HP (22.44%);
4. Wireless network card market: TP-LINK (19.53%), Intel (19.53%), Huawei (4.68%);
5. Express card market: Zte (30.76), Huawei (30.43).

### ***AMB Decision***

Per the online information, HP and 3COM received approval from China's Ministry of Commerce (pursuant to the AMB's decision) for HP's acquisition of 3Com without restrictive conditions on 8 April 2010. China's Ministry of Commerce did not give details for its decision.

In practice, China's AMB/MOFCOM will only publish its decision if a case is not approved or it is approved restrictive conditions. Since HP's purchase of 3COM was approved without any restrictive conditions, the result has not been published on the AMB website.

### ***Comments***

Judging from the above data, we can see that market share of H3C in China the network equipment market was about 35%, HP hasn't gained much in this market of China, so the market share of the network equipments will not change much after HP's purchase of 3COM. H3C was No.1 in 2008 China IP storage market, with its market share being 54.7% in the fourth quarter of 2008. HP is also an IP storage supplier in China, however its market share was negligible. So the merger in fact did not affect the market too much and can not be considered as a serious concentration.

According to an online survey carried out in China prior to this decision being issued, more than half of the Chinese respondents thought that HP's purchase of 3COM was a good case for China. According to some online comments, some Chinese people thought that the purchase of 3COM would greatly improve HP's competitiveness and potential, and would not cause competitive trouble for Chinese companies, although CISCO may well suffer reduced market share as a result.