

ASIA IS A BUSINESS IMPERATIVE... NOW MORE THAN EVER

# ASIAN TECHNOLOGY NEWSLETTER

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A bimonthly newsletter of developments in the computer, semiconductor and telecoms industries

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## CHINA/HK

**Beenz.com**, the US-based web currency developer, has agreed to form a JV with Hong Kong-based **New World CyberBase Ltd.** The JV will launch a new beenz.com Hong Kong website and strategize to expand beenz throughout the Asia-Pacific region. The company has 12 local partners who have agreed to use beenz.com in Hong Kong. (March 14, 2000)

**Bloomberg** of the US and **Homeway.com.cn**, one of China's most popular financial websites, have finalized a cooperation agreement. Under the agreement, Homeway will provide Bloomberg's net user base with financial information on China in English and Chinese languages. Content will include news, analysis and commentary on China's economy, financial markets and local companies. Homeway will also offer advice on stock investments. (March 9, 2000)

**Chinadotcom Corp** and **Softbank Investment Strategic** have signed an MOU to form a 50:50 JV, which will assist Internet companies expand in Asia through strategic partnerships and JVs. The new company will also provide offline to online consulting and Internet related solutions. Formed through a share swap agreement, the JV will broaden Softbank's market coverage in Asia while expanding Chinadotcom's presence in Japan. Chinadotcom has also formed a partnership with **Transcosmos**, a Japanese Internet conglomerate. (March 20, 2000)

**Computer Associates International Inc** of the US has announced plans to invest RMB 30m (US\$3.6m) to form a JV with **Anyi**, a China-based software company. The new company will be China's largest

## INTRODUCTION

We hope that you find the *Asian Technology Newsletter* informative. BDA is a corporate finance advisory firm, which helps multinational clients to identify and to execute acquisitions and JVs in Asia. In this issue we profile Linux players in China.

If you think that BDA's services may be useful to you, please contact me at [ahuntley@bdallc.com](mailto:ahuntley@bdallc.com).

Andrew Huntley  
Managing Director

computer software manufacturer, with more than RMB60m (US\$7.2m) in assets. (March 2, 2000)

**Hong Kong Broadband Network**, a subsidiary of **City Telecom (HK)**, plans to issue 15% of its shares to **KDD Corporation**. KDD is the largest international telecom carrier in Japan. (March 15, 2000)

**Legend Group**, China's largest computer hardware manufacturer, will restructure its business into two parts: a traditional PC manufacturing firm and an Internet company. The new Internet company, **Legend Shenzhen Digital**, will focus on producing Internet-based services and ecommerce products. The name of the new manufacturing company has not yet been disclosed. (April 6, 2000)

**Mail.com Inc** of the US, a messaging service and free-email provider, has agreed to purchase **elong.com**, a Chinese language portal based in Shanghai. The US\$65.2m purchase is part of Mail.com's strategy to develop portals in Asia and Europe through its newly formed company, **World.com Inc**. Mail.com owns a group of Internet domains, including Asia.com, India.com and Europe.com. (March 28, 2000)

**MediaCorp Interactive Pte Ltd, NBC Holdings Pte Ltd** and bookseller **Popular Holdings Ltd** have formed a JV Internet portal, **Chinese88.com**. The Chinese language portal will provide news and entertainment content, email, online shopping and Chinese pharmaceutical advice. MediaCorp will own 80% of the JV, while NBC Holdings and Popular Holdings will each hold a 10% stake. (March 10, 2000)

**Pacific Century CyberWorks Ltd (PCCW)** of Hong Kong has injected capital into eight new investments through its VC arm, **CyberWorks Ventures (CWV)**. For example, PCCW has increased its stake to 46% in **Outblaze**, a Hong Kong-based firm that turns websites into portals by adding customizable email, mailing lists, chat rooms, message boards and other website services. CWV has also taken a 5% stake in India's largest portal, **Rediff.com**, which has 560,000 registered email users. PCCW has investments in 42 companies. (April 3, 2000)

**Techpacific.com**, a Hong Kong-based Internet incubator, has given a 2% equity stake to **Dell** of the US in exchange for Dell's providing hardware and technical support to the incubator. Dell will participate in Techpacific.com's ecommerce enabling service for SMEs. Techpacific.com investors include **Softbank Fund** of Japan, which holds a 7.5% stake, and **Draper Fisher Jurvetson**, a Silicon Valley VC. The company plans to IPO on the Hong Kong stock exchange, GEM, in Q2 2000. (April 3, 2000)

**WebChance International Ltd** of Hong Kong, a JV between **303 Company Ltd** and **WebForce Unlimited**, has launched an education portal in China. The portal, campus.iGreatChina.com, will provide teachers with information on how to more effectively employ information technology tools in the classroom. The JV will also open 10 on-site training centers, as an alternative to the virtual training of the portal. (April 3, 2000)

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## INDIA

**Caltiger.com**, a privately owned ISP, will begin providing free Internet service to users in Bangalore, Calcutta and Mumbai. The company is the first to offer free Internet in the region. Although subscribers will have to pay local telephone charges for use, the company plans to offer free telephone access so users will incur only one-time charges. (March 16, 2000)

**Frontlinesoft**, an Indian software and portal developer, is making its IPO and forming a 50:50 JV with **PneumaSoft** of Canada. The JV will develop websites with stock market information. Frontlinesoft also has alliances with **Stockpickers.net** of the US and **Al-Attayah Trading** of Qatar. (March 19, 2000)

**JMS Worldwide**, the US-based ISP consultant, has agreed to form a Rup 2b (US\$46m) JV with **Telecommunications Consultants India Ltd (TCIL)**, a state-owned firm. The JV will provide wireless Internet services in seven cities including Bangalore and plans to expand to 12 cities by Q4 2000 and to establish five gateways by 2003. JMS

will own 49% of the JV, while TCIL and an undisclosed Indian partner will hold a 40% and an 11% stake respectively. (March 10, 2000)

**Pacific Internet** of Singapore has agreed to form a new JV company, **Pacific Internet India Pte Ltd**, with **Hinduja Group** and **Thakral Group** of India. The JV will provide broadband Internet access and data services for the Indian market. India has a total of 12 million cable subscribers of which Hinduja has a combined base of four million. Pacific Internet and the Hinduja Group will each hold a 37% stake in the JV, while Thakral Group will own the remaining 26%. (March 7, 2000)

while **Mitsui Knowledge Industry** and **Senshukai** will each own 5%. **Sakura** and an unnamed venture capital firm will hold 4.5% and 3% stakes respectively. (March 17, 2000)

**Palm** of the US will begin marketing versions of its handheld gadgets and operating system in Japan through its new subsidiary. The company has entered the market in the hope of rendering its products the favored wireless communications and portable computing devices in Japan. Product localization took approximately 18 months to complete. (March 16, 2000)

**Mitsubishi Corp** of Japan and **Trivnet** of the US have finalized plans to form an electronic payment business together. The two companies will charge customers for downloaded music, video and other content from websites through their monthly provider bill, eliminating the task of inputting credit card numbers and other personal data during transactions. The companies plan to set up a JV to run the system and to solicit content sellers and Internet access providers to use the system. Mitsubishi holds a 4% stake in Trivnet. (March 7, 2000)

More than **25% of Japanese homes have Internet access**, and 41% of Japanese homes have PCs, up 8% from 1999. The percentage of Japanese people using the Internet for financial purposes has also increased. While 17% used the net for stock market or investment trust research, 6% managed their investments or savings online, and 3% used the web for an investment or savings transaction. (March 30, 2000)

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## INDONESIA

**AcuBid.com** of the US has agreed to acquire 90% of **PT Jaring Data Interaktif's** outstanding stock to form **Asia Web Holding.com**. As a result of the transaction, Asia Web Holding.com will become one of the largest ISPs in Asia, and AcuBid will issue 49 million shares of its common stock to Jaring Data Interaktif's shareholders. (March 17, 2000)

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## JAPAN

**Concert**, a 50:50 JV between **AT&T Corp** and **British Telecom**, and **Japan Telecom Co** have formed an alliance in which Japan Telecom will have exclusive rights to market Concert's data transmission service in Japan. Concert's service is expected to eventually reach 30,000 firms globally, including 270 major multinational companies. (March 23, 2000)

**Mitsui & Co**, Japan's general trading company, will form a JV with **Sakura Bank** and three other Japanese companies. The JV virtual shopping mall has a market capitalization of ¥490m (US\$4.6m) and will take over the operations of Mitsui's ecommerce company, **Curiosity**. Mitsui will own 82.5% of the new JV,

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## KOREA

**Chemcross.com**, an online chemicals trading portal, is a JV established by petrochemicals companies from six Asian countries, including China, Japan, Korea and Taiwan. Petrochemical customers and suppliers may exchange information and products on the portal, which provides inventory, financing and insurance services. The founding companies contributed an initial

investment of US\$7m. More members are expected to join from the US and Europe in 2000. (March 7, 2000)

**Chinadotcom Corp** has invested in **KoreaOnline Ltd**, an online financial services company, in the hope of establishing a 50:50 JV with the company and its subsidiaries. The JV would further establish Chinadotcom's presence in the Korean Internet market, where the company already serves clients such as **Samsung**, **SK Telecom**, **Hyundai**, **LG Electronics** and **Kolon**. The investment marks the beginning of their online content distribution and Internet community building in the Korean marketplace. (March 23, 2000)

**Hanin Information Technology** of Korea, a financial software developer, has tied up with **Korea Telecom** in order to increase the capacity of its Internet financial portal business. The companies will collaborate to develop financial products and to expand their ecommerce products. (March 20, 2000)

**Korea Securities Dealers' Association** stated that cyber stock trading accounted for 49% of all stock transactions in February 2000, totaling Won160tr (US\$144m). Of these transactions, 91% occurred on the Internet, 4.3% on wireless terminals and 2.9% on ARS. (March 23, 2000)

**Locus Co Ltd**, a Korean Internet firm, has launched a website with local film maker **Unofilm**, entertainment management company, **EBM**, and local Internet movie provider, **Webcinema**. Locus plans to use its technology to integrate Internet and satellite communications with computer telephony technology and television with content provided by the JV partners. (March 22, 2000)

**Samsung Electronics** of Korea plans to sign an MOU with the US-based supply chain management software company, **i2 Technologies**. Through the alliance, Samsung Electronics will participate in the semiconductor B2B ecommerce system, **HitechMatrix**. (March 20, 2000)

**Serome Technology**, a web-to-phone service Dialpad provider, and **Naver**, the fifth largest local portal with over four million daily page-views, have agreed to

merge through a stock swap. The transaction is the first major Internet merger in Korea's growing technology industry. (March 16, 2000)

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## MALAYSIA

**Hewlett-Packard Co (HP)** of the US intends to set up an e-speak center, which is an open, standards-based platform for the creation and management of Internet-based services. Located in Malaysia's Multimedia Super Corridor (MSC), the center will provide hardware and software for e-services development, a test and debugging facility, a hosting environment and e-speak technicians. The services generated at the Malaysian hub will be integrated into HP's global e-services village repository. (March 30, 2000)

**Hewlett-Packard (HP) Sales (M) Sdn Bhd**, the Malaysian subsidiary of **Hewlett-Packard** of the US, has completed a RM23.4m (US\$6.1m) inter-carrier billing system for **Telekom Malaysia Bhd**, **TMTouch** and **Mobikom**. TMTouch and Mobikom are subsidiaries of Telekom Malaysia. The Cost-Based and Access Billing System (CABS) gathers and processes telecommunications information as well as billing and reconciliation processes. (March 2, 2000)

**Pacific Internet Ltd (PI)** of the US has canceled plans to form a JV with **Time dotCom Bhd** of Malaysia in the wake of **Singapore Telecommunications Ltd's** announcement to acquire a stake in the Malaysian telecommunications company. PI and Time dotCom signed an MOU in February 2000 in which the companies agreed to supply narrowband and broadband Internet services to businesses in Malaysia. PI now plans to enter the Malaysian market through different means. (April 6, 2000)

**Renong Bhd** and **United Engineers Bhd (UE)** will form an Internet incubator with an authorized capital of RM500m (US\$132m) and paid-up capital of RM400m (US\$105m). Renong will hold a 40% stake in the new company, and UE will own 20%.

**Waterfront Capital** and Halim Saad, Renong's Chairman, will each own 5%. The incubator will invest a 30% stake in each of the following websites: **ehealth4all**, **krishost** and **econstruction**. (March 15, 2000)

**Renong Bhd** and **YTL Corporation Bhd** of Malaysia have mobilized a group of firms to develop a B2B Internet portal for the Malaysian hospitality and tourism industry, which is the first of its kind in Malaysia. The companies signed an MOU to establish the JV, of which Renong and YTL will each own 20%. **Hotel Equitorial (M) Sdn Bhd**, **Federal Hotels International** and **Seri Pacific Corporation Sdn Bhd** will each own 10%. (March 23, 2000)

**Singapore Telecommunications Ltd (SingTel)** plans to purchase 14.5% of **Time Engineering Bhd** of Malaysia for RM650m (US\$171.1m) and 20% of **Time dotCom Bhd** for RM1.5bn (US\$394.7m) to advance their plan to create a Pan-Asian phone network. The company also intends to take a 20% stake in **Time Online Bhd**, Time Engineering's Internet subsidiary. As a result, SingTel will gain access to Time Engineering's 3,600 kilometer fiber-optic network, which covers Malaysia, Singapore and Thailand. (April 6, 2000)

of the company. PhilWeb will own the remaining 50%. (March 27, 2000)

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## SINGAPORE

**Lycos Asia**, a subsidiary of **Lycos Inc** of the US, and **Singapore Telecom** will form a US\$50m JV to develop Internet search engines to serve ASEAN, China and India. Lycos Asia has already launched a search engine, **Lycos Asia Malaysia**, which is the second search engine developed by the company in Malaysia, after [www.jaring.my](http://www.jaring.my). There are about 700,000 registered Internet users in the country. (March 10, 2000)

**Reckon Online Holdings Pty Ltd**, a wholly owned subsidiary of **Reckon Ltd** of Australia, has formed a 50:50 JV with **Singapore Press Holdings Group's** Internet subsidiary, **AsiaOne Pte Ltd**. The JV financial services portal, **AsiaOne Quicken**, will combine Reckon's Quicken-branded online financial services with AsiaOne's comprehensive Asian content to develop an online financial services portal in Hong Kong, Indonesia, Malaysia, the Philippines and Singapore. (March 5, 2000)

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## PHILIPPINES

**Akamai Technologies** of the US has agreed to provide servers to **Ayala Corporation** of the Philippines. As a result, Philippine Internet users will be able to access websites such as Yahoo!, CNN Interactive, Reuters, Apple and Adobe. There was no financial consideration in the transaction. (March 31, 2000)

**Softbank** of Japan, the world's largest Internet investment company, and **American International Group, Inc (AIG)**, the US-based diversified investment and financial services company, have agreed to form an e-venture capital company with **PhilWeb** of the Philippines. Softbank and AIG will individually invest US\$11.5m, and each will own 25%

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## TAIWAN

**Global Union Square (GUS)** of the US has engaged several Taiwanese companies to develop an ecommerce website to promote traditional and modern Asian music. Site visitors may purchase CDs, listen to live concerts and participate in chat rooms. GUS will provide payment security technology and customer service. (April 3, 2000)

To submit stories to future editions of this newsletter, please contact Christina Meyer in New York on 212.265.5300 or [cmeyer@bdallc.com](mailto:cmeyer@bdallc.com).

## THAILAND

**Ad Venture** and **Loxley Information Holding**, two ISPs, have formed a JV B2B ecommerce network in Thailand with two Singaporean Internet and communications service operators, **bex.com** and **ST Telemedia**. The trading hub will be called **thaibex.com**. Ad Venture will provide the web content, and Loxley Information Holding will offer access to its online ecommerce website, **shoppingthailand.com**. The four companies remain open to more investors and are negotiating with other ISPs to participate in the JV. (March 23, 2000)

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## FOCUS

### Linux in China

Linux, the open-source operating system, is growing in popularity throughout China for a myriad of reasons. First, the software is essentially free. Its low cost will drive its adoption in a price sensitive market such as China. Individuals may either purchase the software on CD-ROMs at retail outlets throughout China or acquire the software pre-installed on a PC. Linux users may also download the operating system for free off the Internet, although the file size makes downloading the software on a dial-up connection impractical. However, a Korean firm, **Allix**, is reportedly offering a version that takes 30 minutes to download over a dial-up connection.

Another reason Linux is gaining favor in China stems from Beijing's belief that the country's dependence on Microsoft's proprietary Windows software is a national security concern. As Linux's underlying source code is freely available under "General Public Licence" (GPL), it is virtually impossible to have any hidden "back doors", through which hackers can retrieve sensitive government information.

While the government is expressing support for the operating system, SEMs, corporations, software applications developers and consumers are adopting

Linux as well. Under the GPL, users can modify, copy and sell the operating system. As such, thousands of programmers have contributed to the evolution of the software over the near decade of its existence. They have customized the software to their specific needs. As Chinese software developers can alter the software to accommodate local need, Linux may be the platform from which China's software industry can gain credibility and acceptance in the global market.

Hardware manufacturers are also increasing the availability of Linux. For example, **Dell**, **Compaq** and **IBM** are bundling Linux with their computer hardware. BDA estimates that Linux was installed on 3% - 5% of desktops sold in China in 1999, and this percentage may reach 10% in 2000. Information appliances will also increasingly rely on low-cost Linux in Asia. The same trend is already evident in Hong Kong and Korea.

There are already several domestic Chinese versions of the software on the market. The following paragraphs profile some of the major local players in China's Linux market:

**Red Flag Linux** - The firm, also known as **Hongqi Linux**, is the leading Chinese Linux player. The company developed the first version of Linux that supports GB, the simplified Chinese character set in August 1999. The Chinese software firm, **Beijing Founder Electronics Co Ltd**, computer manufacturer **Compaq China Ltd**, and the **Software Institute of the Chinese Academy of Sciences** co-developed Red Flag. The Academy, which was originally established in 1985 to develop hi-tech computer software, provides Red Flag with a strong contingent of software developers. It has headquarters in Beijing and an office in Shanghai. Computer hardware manufacturers, Compaq, Founder and IBM, are affiliated with the company.

**Shenzhen BluePoint Linux Software Co Ltd** - Based in Shenzhen, the company offers BluePoint Linux software, in addition to technical support and maintenance, education and training, consulting and customized development and hardware evaluation. BluePoint comes bundled with computer hardware manufactured by **Great Wall**, **TCL** and **Xiahua Shanbao**. The company has developed a website,

www.openunix.org, which provides news, information, technical discussion forums, email lists, technical documents and software downloadings to Linux users.

**XLinux** - The company, which is based in Taiwan with an office in California, plans to IPO in June 2000. Its Linux product, PowerLinux, is supported in 12 languages, including Chinese [traditional and simplified], Japanese, Korean, Thai, Vietnamese and English. Their product can support more than 75,000 words of CCC II Chinese. It leaves all technical support to the server vendors, which include **Compaq, IBM, HP** and **Acer**. It also works with **Samsung** to power some information appliances.

**Xteam - Chonglang Pingtai Software Technology Co Ltd** developed Xteam in April 1999, when they launched their first Chinese edition of Linux, Xteam Linux 1.0. The firm develops, markets and distributes Linux and Linux-related products and claims to be the first professional Linux developer and manufacturer in China. Four months after launching

the product, Xteam sold over 100,000 copies of the software. The firm subsequently launched a second version and cooperated with **Anlai, Webforce** and **Linuxtimes** to develop XteamLinux 3.0 for the Asia-Pacific region. Xteam is affiliated with **Founder, Great Wall, IBM, Intel, Oracle** and **Start** and has formed a bundling deal with **Legend**. The firm claims to have a 70% share of Linux distribution in China.

**Web Force Unlimited** - Established in 1996, the Hong Kong-based company is a leading Linux communication application developer and solution provider. The company also provides Web development and market strategy consultations and has plans to enter into Southeast Asia in 2000. It launched a Linux-based virtual campus, iTCampus, with Oracle Systems Hong Kong, as part of a plan to facilitate the move of Linux from the server to the consumer space. Web Force also has an information appliance iTLink, which runs on Linux.

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Andrew Huntley, Managing Director  
Sunny Hong, Associate

Paul DiGiacomo, Senior Associate  
Christina Meyer, Analyst

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## ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists US companies in expanding their businesses in Asia. BDA helps clients to find local business and has senior advisors in Bangkok, Jakarta, Kuala Lumpur, Manila, Seoul, Shanghai, Taipei and Tokyo. For further information on BDA's services or on any of the articles in this newsletter, please contact Euan Rellie or Charles Maynard, through our New York office, or Andrew Huntley in Singapore.

### **New York**

Business Development Asia LLC  
The Economist Building, Suite 405  
111 West 57th Street  
New York, NY 10019  
Tel: (212) 265-5300  
Fax: (212) 265-4300

### **Shanghai**

Business Development Asia  
American International Centre  
at Shanghai Centre, Suite 506A  
1376 Nanjing Road West  
Shanghai, China, 200040  
Tel: (86) 1360-1729-383

### **Singapore**

Business Development Asia Utd Pte Ltd  
20 Raffles Place  
#10-07 Ocean Towers  
Singapore 048620  
Tel: (65) 533-8500  
Fax: (65) 533-8506

bda@bdallc.com  
www.bdallc.com