

ASIAN TECHNOLOGY NEWSLETTER

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

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CHINA/HK

China Motion Telecom International, a Hong Kong-listed telecom services provider, announced that it will purchase a 45% stake in **CM Netcom**, a *Voice over Internet Protocol (VoIP)* services provider in China, for RMB276m (US\$33.4m). The acquisition would allow China Motion to participate in the operation, development and expansion of *VoIP*-related services in China. (February 14, 2003)

China Unicom, China's second largest mobile telecom operator, formed a JV with **Qualcomm Inc**, a US-based wireless communications products and services provider, in Beijing. The new JV will be called **Unicom Brew Wireless Technologies Ltd**, in which China Telecom and Qualcomm will hold a 50% stake each. China Unicom aims to increase the development of its CDMA wireless data applications through Qualcomm's *Binary Runtime Environment for Wireless (BREW) platform*, which is an end-to-end solution for wireless applications development and billing and payment. (March 2, 2003)

Digiland International Limited, an IT products distributor listed in Singapore, announced that it has acquired an additional 24.6% stake in its Hong Kong subsidiary company, **Trans Europe Computer Limited (TEC)**. Upon completion of this share transaction, Digiland's total shareholding in TEC will be increased to 90.6%. Digiland plans to further increase its stake in TEC. (March 6, 2003)

Digital China, a Hong Kong-listed IT product distributor and systems integrator in China, has acquired a 70% stake in **SicTech NorthNet Co Ltd**, a Beijing-based e-government services and consulting provider, for HK\$33m (US\$4.2m) to further explore China's emerging e-government market.

INTRODUCTION

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

BDA is a corporate finance advisory firm which helps multinational clients to identify and to execute acquisitions, divestments, JVs and other strategic alliances in Asia.

Please visit our website www.bdallc.com or contact me at ahuntley@bdallc.com to learn more about our services.

Andrew Huntley
Managing Director

Upon completion of this deal, SicTech NorthNet will be renamed **Digital China SicTech Co Ltd**. Established in 1998, SicTech NorthNet provides application software development, systems integration and IT consulting services mainly for government bodies in China. (March 14, 2003)

Fuji Xerox Co plans to invest Y36bn (US\$299m) over the next three years to expand and improve its direct sales and after-sales service channels in China. Fuji Xerox also intends to shift its HQ functions for the Asia-Pacific region from Japan to Shanghai as early as in April 2003. Through these measures, it aims to double its copier sales in the fast-growing Chinese market to Y60bn (US\$498m) by 2005. (March 23, 2003)

Harcourt Companies Inc, an investment holding company specializing in the acquisition and development of private companies within high-growth industries in China, announced that it has agreed to purchase a 45% stake in **Hua Qing Corporation Development Co** and **Hua Qing Economics Development Co**, PC assemblers and marketers based in Shanghai, for RMB18.2m (US\$2.2m). Hartcourt has also obtained a voting proxy for an additional 10% of outstanding shares of both Hua Qing companies to effectively control the boards. Hua Qing specializes in *Do-It-Yourself (DIY)* PC sales and distribution. It owns and operates 11 *DIY* PC stores in Shanghai area, helping its customers build their own PCs with components, technology and after sales support. Through this share transaction, Hartcourt aims to build up Hua Qing's brandname and to expand its business throughout China to meet market demand for low cost personalized PC products. In addition, it is also planning to expand into the laptop PC and PC server market for SMEs. (March 7, 2003)

Hongkong.com, an Internet portal operator and publisher in Hong Kong, announced that its wholly owned unit, **CDC Mobile Media Corp**, will acquire the entire stake of **Palmweb**, a mobile services provider in China, for a maximum price of US\$55m in cash. CDC Mobile Media Corp will pay US\$14m in cash as a first installment, and the second and third payments will then be pegged to Palmweb's 2003 and 2004 results. The deal is expected to be completed by April 2003. Palmweb currently provides mobile services to its 2.8 million paying

subscribers, with services such as interactive games and chatting based on *SMS* and *WAP* technologies. (March 21, 2003)

Huawei Technologies Co, a Chinese telecommunications equipment manufacturer, announced it will form a JV with **3Com Corporation**, a US data networking solution provider, to develop and manufacture telecom products in China. Huawei plans take a controlling share in the new JV, to be headquartered in Hong Kong. Huawei aims to bring its mid-low-end router and exchanger businesses while 3Com contributes its existing position in China along with investment. (March 23, 2003)

Hunet Inc, a Japanese company engaged in the manufacture and sale of LCD products, real estate and construction, announced its plan to form a JV with **Blue Star**, a Chinese chemicals and telecommunications equipment company, to produce LCDs for cellular phones. Hunet will introduce its image display technology to the new JV, and will also allow Blue Star to jointly enter the cell phone components market in China. The new JV will be 90% owned by Blue Star and the remaining 10% by Hunet. Hunet plans to finance its capital contributions to the JV with royalties to be paid by Blue Star. The JV plans to produce 10 million LCDs per year by 2005, mainly targeting Chinese cell phone makers. (March 12, 2003)

Shanghai Lujiazui Finance & Trade Zone Development Co Ltd announced that it has agreed to invest RMB70.5m (US\$8.5) in a 47% stake in **Sky Network & Communication Group Co Ltd**, a provider of satellite communications, paging, Internet access, data center and call center services in China. Its unit **Shanghai Pudong Lujiazui Software Development Co Ltd** will acquire a separate 3% stake in Sky Network for RMB4.5m (US\$0.5m). The JV will have registered capital of RMB200m, with the listed company holding a 30% stake. (February 21, 2003)

SK Telecom of Korea has signed a JV agreement with **China Unicom**. Under the JV deal, SK Telecom will provide wireless-Internet content and services to the JV as part of its effort to expand into the Chinese wireless Internet market. SK Telecom, Korea's largest wireless carrier, provides mobile

Internet services based on *CDMA2000 1x EV-DO*. SK Telecom plans to introduce its pictures, polyphonic-ring tones, and other multimedia content through the JV, which will start its operations as early as in 3Q of 2003. (March 20, 2003)

World Peace Industrial Co, a semiconductor component distributor in Taiwan, plans to enter China by forming a JV with **Eurodis Electron PLC**, a distributor of electronic components in Europe. World Peace Industrial proposes to hold a 49% stake in the new JV, while Eurodis will hold the remaining 51% stake. World Peace is the largest semiconductor component distributor in Asia, with 28 sales outlets in the region. (February 24, 2003)

INDIA

Hughes Software Systems (HSS), an Indian communications software company and specialist in convergent network software, announced that it will be acquiring **Lucent Technologies'** software operations for GSM in Germany and India. This acquisition will allow HSS to obtain an interface with telecom service providers in Europe and Asia which use Lucent's GSM technology, and will also help HSS improve its technologies in the 3G area. HSS is currently focused on the telecom sector and derives 53% of its revenues from the wireless telecom sector. (February 27, 2003)

Imation Corp of the US has entered into a long-term outsourcing deal by forming a JV with **Moser Baer India Ltd (MBIL)**, a storage media manufacturer in India. Under the deal, Moser Baer will manufacture recordable and re-writable optical storage media. Imation will hold a 51% stake in the JV, which will focus on client servicing, long-term technology transfer and joint R&D. Total investment in the JV is expected at US\$10m. The new JV with MBIL would allow Imation to expand its presence into India. The JV will also target customers in developing regions, such as Africa, West Asia and South America. Imation Corp, spun off from 3M, is one of the world's largest manufacturers of removable magnetic and optical technology media. (February 28, 2003)

Moschip Semiconductor Technology Ltd, a Hyderabad-based semiconductor company, announced that it has acquired **Veracity Technologies Inc**, a *System-on-Chip (SoC)* semiconductor company in the US, to broaden its semiconductor portfolio and to further expand into the US. Veracity, which is valued at US\$4.3m for this transaction, provides silicon, software and Internet security solutions. (March 21, 2003)

Satyam Computer Services Ltd, an Indian software company, announced that it has purchased the remaining 24% stake in **Satyam Manufacturing Technologies Inc (SMTI)**, from its JV partner **Northrop Grumman Space and Mission (NGSM)** for a consideration of US\$3.5m. Upon completion of this share transaction, SMTI will become a 100% subsidiary of Satyam. SMTI was formed in September 2000 as a 76:24 JV between Satyam and NGSM to provide IT solutions in China. (March 17, 2003)

3M Company of the US plans to purchase a 49% stake in **Pouyet Communication India Pvt Ltd (PCIL)** of India from **Devadass Group**. At present, PCIL's remaining 51% equity stake is owned by Societe Henri Pouyet of France, which is also a subsidiary of 3M. Thus, 3M's share purchase in PCIL will allow 3M to effectively control PCIL. Upon completion of this deal, 3M plans to bring its intellectually sensitive technology to PCIL. PCIL is a manufacturer of distribution frames, integrated protection modules and telecommunications equipment. (March 2, 2003)

INDONESIA

Two state-owned companies, **PT Telekomunikasi Indonesia (Telkom) Tbk** and **PT Perusahaan Listrik Negara (PLN)**, and **Korea Telecom** have set up a JV named **Prima Infocom Indonesia** to develop information and telecommunications infrastructure with an investment of US\$200m. Prima Infocom Indonesia is currently cooperating in *Electronic Indonesia (e-Indonesia)*, an Internet infrastructure project that enables civil servants to make transactions in salary payments and property

tax payments online. The project is expected to be completed by September 2003. PT Telkom Tbk holds a 51% stake in the consortium, and PLN and Korea Telecom hold an approximate 25% stake each. (February 19, 2003)

Japan Storage Battery Co that produces small lithium-ion batteries. Through this share transaction, Sanyo aims to gain more than 40% of the global market for lithium-ion batteries. GS-Melcotec has been renamed **Sanyo GS Soft Energy Ltd.** (February 26, 2003)

JAPAN

Marvelous Entertainment Inc, a manufacturer of compact discs, video and game software, announced that it and its affiliates will acquire a game software unit of **Victor Company of Japan Ltd (JVC)**, a Japanese audio-video equipment manufacturer. After the acquisition, the 100% subsidiary of JVC will be renamed **Marvelous Interactive**. The deal is aimed at allowing Marvelous Entertainment to strengthen its game software business. The divestiture is also expected to help JVC's software business to focus on audio related areas. (March 24, 2003)

Nippon Telegraph and Telephone Corp (NTT) will establish a company to integrate broadband operations within the group. Four group firms, the holding company, the two regional arms offering fixed-line local phone services and long-distance carrier **NTT Communications Corp**, will set up the JV, possibly in 2003, to develop and provide new services using NTT's fiber-optic networks and other infrastructure. The integration is aimed at consolidating its fixed-line phone service. The holding company is expected to have a majority stake in the venture, while the rest will be shared among the two regional firms and NTT Communications. The venture will develop new broadband services, such as IP telephony with high-quality video. (March 16, 2003)

Sanyo Electric Co, a manufacturer of video and audio equipment, home appliances, industrial and commercial equipment, information systems and electronic devices and batteries, in Japan announced that it has acquired a 51% equity stake in **GS-Melcotec Co**, a Kyoto-based subsidiary of

KOREA

Kumho Electric Inc, a Korean lighting and LCD devices manufacturer, announced that it has agreed to take over a 47.34% stake in **Imagequest Co** for W42.1bn (US\$34.3m) from **Hynix Semiconductor Inc**, in a bid to further strengthen its LCD-related operations. Imagequest is a TFT-LCD maker, which was spun off from Hynix in 2000. (March 12, 2003)

LGEI, a holding company for **LG Group's** electronics-related units, announced that it will merge with **LGCI**, a holding company for LG's chemical units. The two holding companies will repurchase W304.4bn (US\$253.7m) worth of stock, which will be paid with their cash reserves, to proceed with the merger plan. The merger of these two companies is intended to build more advanced corporate governance and improve enterprise value. (February 20, 2003)

Samsung Electronics Co announced that it has acquired a 5% stake in **Symbian Ltd**, a UK mobile operating system (OS) developer and licensing company, for W33bn (US\$27.5m). This share purchase will allow Samsung Electronics to improve its technology and competitiveness in software for mobile telecommunications. Samsung Electronics, which secured a mobile OS license from Symbian in 2002, plans to enter the smart phones market based on Symbian's OS. Symbian is jointly owned by **Ericsson, Nokia, Panasonic, Motorola, Psion, Siemens** and **Sony Ericsson**. (February 19, 2003)

Samsung SDI Co, the world's second-largest maker of cathode-ray tube monitors, announced that it will invest W370.4bn (US\$298.5m) in its *plasma display panels (PDP)* project to establish the world's largest

PDP production line. The company will build its second plant in Cheonan, South Chungcheong Province, which is expected to increase its capacity to 105,000 screens per month by producing an additional 65,000 screens per month. Samsung aims to gain a 25% share of the global cathode-ray tube monitors market and to become a major *PDP* producer by 2005. (March 13, 2003)

MALAYSIA

Net Space Learning Sdn Bhd (NSL), an IT and multimedia subsidiary of **Utusan Melayu (Malaysia) Bhd**, a Malaysian newspaper and publishing group, announced that it has entered into a JV agreement with **Ideal Internet Sdn Bhd (IISB)**, an Internet and mobile solutions company. NSL and IISB will hold a 70% and a 30% stake respectively in the JV. A new JV company, to be called **Excensio Sdn Bhd**, plans to provide content via *SMS*, *multimedia-messaging services (MMS)*, enhanced messaging services and other related wireless technology. NSL's investment will be financed from Utusan Melayu Group's internally generated funds. Utusan Melayu Group aims to enter the multimedia business with the convergence of its traditional media assets in the print, and the technology brought by IISB. (March 11, 2003)

SINGAPORE

Beyonics Technology, a Singapore-listed electronics manufacturing services (EMS) provider, announced that it is merging with **Flairis**

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Technology Corp, a Sesdaq-listed EMS, through a share swap arrangement. Through the merger, the two companies aim to become a major EMS provider in Asia. The proposed merger will result in Flairis being delisted from Sesdaq and becoming a wholly owned subsidiary of Beyonics. Planned for completion in July, the deal involves Flairis shareholders receiving 0.6 Beyonics share for every Flairis share held. Beyonics manufactures parts for the hard disk drive industry, while Flairis manufactures electronic parts for phones. Beyonics and Flairis are expected to have a combined revenue of S\$900m (US\$508m). (March 24, 2003)

GTL, an Indian network engineering company, plans to acquire the **Redington Group**, a Singapore-based IT company, part of the **Kewalram Chanrai Group**, for US\$95m. The deal includes an acquisition of Redington's operations India, Singapore and the Middle East. Upon completion of this deal, GTL projects its consolidated revenues to be over Rs30bn (US\$625m). (February 28, 2003)

TAIWAN

Royal Philips Electronics plans to form a US\$20m JV with **Benq**, the wireless arm of consumer electronics company **Acer**, to establish an optical storage devices company in Taiwan. The new JV, to be called **Philips Benq Digital Storage**, will be 51% owned by Philips and 49% by Benq. This JV deal is part of Philips' efforts to reorganize its loss making business by combining its intellectual property resources with Benq's strength in manufacturing and logistics. The JV will help Philips and Benq in reducing procurement and development costs and to share resources. (February 26, 2003)

Sumitomo Electric Industries Ltd, a Japanese electrical wiring and cable maker, announced that it has set up a JV with **Procomp Informatics Ltd**, a Taiwanese semiconductor maker, to manufacture white light-emitting diodes. Through the deal, Sumitomo Electric hopes to expand its sales in

China, Taiwan and Southeast Asian countries to meet growing demand for white LEDs, used for mobile phone back-lights and automotive lighting. Capitalized at NT150m (US\$4.3m), the new JV, to be called **Supra Opto Inc**, is 40% owned by Sumitomo Electric and 60% by Procomp. Based in Hshinchu, northern Taiwan, Supra Opto plans to start its operations in June 2003. (March 20, 2003)

16.81% stake in **CS LoxInfo Co Ltd**. The share swap transaction is in connection with the merger of the Internet and related businesses of CS LoxInfo and PointAsia. PointAsia provides Internet services, systems integration, Internet data centers, web hosting, development and training, while CS LoxInfo provides narrow and broadband Internet access services. (March 8, 2003)

THAILAND

Singapore Telecommunications Ltd announced that it has agreed to a swap its entire 31.07% stake in **PointAsia Dot Com (Thailand) Co Ltd** for a

Andrew Huntley, Managing Director
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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 Charles Maynard in Tokyo, Euan Rellie in London, Andrew Huntley in New York, Genevieve Wong in Singapore, Simon Wu in Shanghai or Paul DiGiacomo in Hong Kong.

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