

# ASIAN TECHNOLOGY NEWSLETTER

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## CHINA/HK

**China** has for the first time displaced both Japan and Mexico as the top supplier of high-tech goods to the United States. Imports from China increased 32%, from \$26 billion in 2000 to \$35 billion in 2002, according to statistics compiled by the American Electronics Association, Washington, DC, the high-tech trade association. That was in stark contrast to the overall U.S. high-tech import and export figures, which dropped from record highs in 2002, because of the dive in the economy. Exports fell 26%, from \$223 billion to \$166 billion. Imports were down by 19%, from \$271 billion to \$220 billion. The AeA notes that many U.S. technology companies have opened facilities in China and that many of the Chinese imports are intracompany transfers from U.S. subsidiaries in China moving goods back to the United States. (July 31, 2003)

## 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](http://www.bdallc.com) or contact me at [ahuntley@bdallc.com](mailto:ahuntley@bdallc.com) to learn more about our services.

Andrew Huntley  
Managing Director

**Infineon Technologies AG** of Germany and the **China-Singapore Suzhou Industrial Park Venture Co Ltd (CSVC)**, are setting up a JV for the assembly and testing of memory ICs. The agreement provides for the construction of a joint facility in the Suzhou Industrial Park (SIP), 80km to the west of Shanghai. Once completed, the facility will have a maximum capacity of up to one billion chips a year. The new company will operate under the name **Infineon Technologies Suzhou Co, Ltd**. Infineon holds 72.5% of the shares of the JV and CSVC the remaining 27.5%. Total planned investment in the project over the next ten years amounts to around US\$1bn with the registered capital being US\$333m. (July 30, 2003)

**The International Finance Corporation (IFC)**, the World Bank's private finance arm, has taken a

US\$3.5m stake in the private software company **Gaoweida**. An overseas investment group comprising the IFC, Singapore-based OCBC Bank and Germany's state-run investment company DEG, have a 31% stake of the Gaoweida company with a total investment of US\$6.5m. Gaoweida, based in Beijing, provides software and system integration services for the finance industry in China and has branches in south and west China. (June 12, 2003)

**Fujitsu Frontech Ltd** of Tokyo plans to set up a subsidiary in Shanghai in September to sell automated teller machines (ATM) and manufacture main ATM components. Fujitsu Frontech expects the number of ATMs installed in China to triple to 150,000 by 2008, when Beijing hosts the Summer Olympics. The wholly owned subsidiary will have a staff of 10 and be capitalized at US\$834,000. The company intends to sell ATMs made at a Fujitsu Frontech factory in Niigata Prefecture and has set an annual sales target of US\$25m by fiscal 2005. (July 30, 2003)

**Qualcomm Inc** announced a commitment to invest up to US\$100m in early- to mid-stage Chinese companies engaged in the development and commercialization of **CDMA**-based products, applications and services. As part of Qualcomm's US\$500m venture funds announced in November 2000, Qualcomm said it believes that venture investments in China will promote the continued adoption of CDMA worldwide. Qualcomm will target investments in CDMA-based communications technology and devices, BREW application and platform developers, including GPS, one location-based application developers and service providers; and enabling and complementary technology providers. (June 5, 2003)

**Transmeta Corp** a developer of software-based microprocessors is furthering its play into China's microprocessor market, by investing in a new JV. The JV has come about in tandem with a restructuring of the company **Chinese 2000**, and is designed to build upon Transmeta's existing relationship with Chinese 2000. A newly formed company, **Chinese 2 Linux Ltd** (C2L) is taking control of Chinese 2000, and through it will control two com-

panies, Beijing Chinese 2000 Technology Ltd and Beijing Redflag Chinese 2000 Software Technology Ltd, covering hardware and software, respectively. Transmeta will take a 16.67% share in C2L, alongside two Hong Kong-based companies, **eForce Group** and **Culturecom Holdings Ltd**. (July 31 2003)

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## INDIA

**iGate Global Solutions Ltd** a provider of IT and IT enabled services is to acquire a 51% stake in **Quintant Services Ltd** the proprietary frameworks and methodologies builder, from the **MR Group**, a business provisioning outfit, for US\$18.8m. iGate, formerly known as **Mascot Systems Ltd**, also intends to acquire the balance of Quintant contingent on certain conditions being met. The acquisition of the stake in Bangalore-based Quintant, provides iGate Global access to approximately US\$ 14.7m in assets, of which US\$12.9m is in cash. (July 30, 2003)

**News Corp** of Australia has offered to buy a 20% stake in the Indian software arm of US-based **Hughes Electronics Corp**. News Corp has offered to buy 6.73 million shares of Hughes Software Systems, a provider of telecommunication software, for US\$33.9m in cash. Shares of Hughes Software Systems on the Bombay Stock Exchange rose 1% following the statement. News Corp's cash offer came after the Rupert Murdoch owned company agreed to take over the US-based Hughes Electronics Corp, which holds a 56% stake in Hughes Software Systems in India. (July 14, 2003)

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## JAPAN

**Denso Corp** and **Robert Bosch GmbH** announced an agreement to establish a JV to be headquartered

in Kariya City, Aichi prefecture, Japan, with an office in Hildesheim, Germany. The new company, **Advanced Driver Information Technology Corp**, will develop automotive navigation and multimedia-related components for both parent companies. Initially, the company will focus on the development of: navigation system ICs, multimedia-compliant software platforms and map data formats. Both Denso and Blaupunkt GmbH, a fully owned subsidiary of Robert Bosch, will own half of the new company with a capital investment of approximately US\$1.7m. (April 16, 2003)

**Dentsu Inc** acquired 100% of Japan-based **Pioneer LDC, Inc**. Pioneer LDC owns a wide range of video and music-related content. With their acquisition, the video images, characters and other content they have developed will become available to Dentsu. (July 17, 2003)

**Hitachi Ltd's** 100% owned subsidiary Chuo Shoji Co will sell most of its stake in **Nitto Denko Corp**, a maker of industrial and electronic materials, as part of group wide efforts to boost business efficiency and retain funds for strategic investment. Chuo Shoji currently holds 20.7%, or 35.9 million shares, in Nitto Denko's outstanding stock. Chuo Shoji says the share sales will be conducted while closely monitoring the effect of the sales on share prices. (July 07, 2003)

**International Rectifier (IR) and Sanyo Semiconductor** of Japan, a wholly-owned subsidiary of **Sanyo Electric Co Ltd**, announced that they are forming a JV to design, develop and market electronic motor drive power modules for energy-efficient appliances and light industrial applications. IR and Sanyo each will own a 50% stake in the JV. The new JV, will be named **IR-SA Integrated Technologies**. (July 22, 2003)

**Matsushita Electric Industrial Co Ltd** and **Picstel Technologies**, a provider of embedded software, today announced that the two companies entered into a licensing agreement to embed *Picstel Browse* and *Picstel File Viewer* on Panasonic SD Memory Card products. Under the agreement, Panasonic will globally market the Picstel Powered™ SD Memory Cards, which will enhance the Internet

browsing and file viewing capabilities of mobile information devices. (July 28, 2003)

**Johnson Electric Holdings Ltd** has entered into an agreement to acquire a 49% stake in **Nihon Mini Motor** from **Mitsubishi Materials Corp**, for approximately US\$12.3m as part of Mitsubishi Materials efforts to focus on its core businesses. Nihon Mini Motor is a designer of micro motors for audio-visual applications, including digital cameras, video cameras and projectors. According to the agreement, Johnson Electric will hold 49% equity and Mitsubishi Materials will retain 2.96% of the shares of Nihon Mini Motor. The remaining 48.04% will continue to be held by 23 shareholders, consisting of individuals, employees and corporations. (April 30, 2003)

**NTT East Corp** group, **Microsoft Corp** and **Daiwabo Information System Co** have formed an alliance to build information technology systems for small Japanese companies. Twenty-eight group firms of **NTT East**, a local phone unit of Nippon Telegraph and Telephone Corp, will build and sell the systems. The Tokyo unit of Microsoft will provide technological assistance and promote the systems, while Osaka-based Daiwabo Information System, affiliated with textile maker Daiwabo Co, will provide equipment and software. The three parties aim to sell 600 sets of packaged IT products in the first year. (July 28, 2003)

**Oki Electric Industry Co, Ltd** of Tokyo and **Murata Manufacturing Co, Ltd** of Kyoto, Japan agreed that Oki would transfer its ownership of the surface acoustic wave (SAW) duplexer business to Murata. The companies completed the business transfer on June 1 2003. Under the agreement, Oki transferred its intellectual property rights, employees, technical know-how and some of its business resources for the SAW duplexer business, including development equipment and fixtures. Oki intends to discontinue production of SAW duplexers this year. (June 6, 2003)

**Oki Electric Industry Co Ltd** has founded a new Japan-based sales JV with Taiwan-based **Silicon Application Corp**. The company offers semiconductor modules and systems combining

chips made by both partners as well as technical support services for customers. The components are for use in mobile phones and home appliances. Initially, the business will focus on the Japanese market, but eventually it hopes to expand to China, Korea and other overseas markets, primarily in Asia. The venture is capitalized at US\$415,000, with Oki holding a 51% stake and Silicon Application possessing a 49% share. (May 15, 2003)

**Shanda Networking**, China's largest game company said that it has acquired a stake of almost 20% in Tokyo software developer **Bothtec Inc.** Shanda, which offers popular online games to paying customers, will provide in China a multiplayer online game being developed by Bothtec. Shanda is to provide the game, part of Bothtec's *Galactic Hero Saga* series, as early as the start of 2004. China's game market is growing rapidly, with companies offering versions of titles developed abroad. Shanda hopes to form other partnerships with Japanese game developers. (May 26, 2003)

**Sony Corp** will join hands with major U.S. software firm **Computer Associates International Inc.** in the data storage equipment business. The two firms will combine their expertise to develop data storage systems using magnetic tapes and sell them to data center operators, financial and medical institutions and other customers in Japan, Europe and the United States. Under the tie-up, Sony's systems capable of storing petabytes of data will be combined with CA's data management software. (July 16, 2003)

**Toshiba Corp** and Israel's **M-Systems** have inked a comprehensive agreement on joint development of new NAND flash memory-based data storage products. NAND flash memories are primarily used in memory cards and cellular phones. The agreement includes joint development of next-generation products, cross licensing of intellectual property, guarantees for M-Systems regarding output of NAND flash memory chips, and a strategic investment by Toshiba in M-Systems. The two companies will develop USB drive portable storage based on gigabit-level flash memories. Toshiba plans to own a stake of several percent in M-Systems. Toshiba and M-Systems have been in partnership,

developing 512-megabit flash memory chips for cell phones that combine control circuits. (July 29, 2003)

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## KOREA

**Rockwell Automation**, a leading global provider of industrial automation solutions, and **Samsung Electronics Co** the global electronics company, have announced that Rockwell Automation Korea has entered into a definitive agreement to acquire the controller division of **Samsung's Mechatronics** business located near Seoul, Korea. This acquisition will form a new business that will operate using the name **Rockwell Samsung Automation**. The business will create technologies in the design and development of automation products including PLCs, motion, drives, distributed I/O and software product lines. (April, 1 2003)

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## MALAYSIA

**Three-Five Systems, Inc** a leading provider of electronic manufacturing services and display products, announced today that it acquired the business and certain assets of **Unico Technology Bhd**, a privately held Malaysian company located in Penang. Unico is an electronic manufacturer for OEM customers in the computer, server, and communications industries. The Unico business was acquired by **TFS Electronic Manufacturing Services Sdn Bhd** (TFS-Malaysia), a JV established by Three-Five Systems, Inc., and the former parent company of Unico Technology which owns 20% and 40% respectively of the JV to facilitate the acquisition. (April 28, 2003)

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## SINGAPORE

**KDDI Corp** sold its entire stake in **Singapore Telecommunications Ltd**, South-east Asia's largest telecom group, for US\$195m, as the Japanese telephone company aims to cut its debt load. The company sold a total of 225 million shares, or 1.24% of SingTel. (June 26, 2003)

**Ericsson** beat off two rival bidders to clinch a US\$125m contract for a third-generation (3G) mobile network for **Singapore Telecommunications Ltd**. Ericsson, won out over short listed bids from Finland's Nokia and a consortium including Germany's Siemens AG NEC Corp and Itochu Corp of Japan. The five-year contract for SingTel's domestic mobile network was agreed after an evaluation that lasted nearly three years. (July 30, 2003)

**Omni Mold Ltd** a Singapore plastic injection molds maker will merge with privately held **Tech Group Singapore**. Under the proposed deal, Omni shareholders will get one new Tech Group Singapore share for each Omni share held, and once the transaction is complete, Omni shareholders will have a 34.5% stake in the merged entity. Tech Group Singapore is a unit of U.S.-based plastics injection molds maker **The Tech Group**, which already owns 20% of Omni. Junior board-listed Omni makes plastic injection molds for the electronics industry. (17 April 2003)

**SV Probe Holding Ltd** a probe card supplier, based in San Jose USA and **Ellipsiz Ltd**, a Singapore based semiconductor engineering and packaging services provider, have created a JV to supply probe cards to the Asian market. **SV Probe Asia Pte Ltd** plans to supply probe cards to wafer fabs, test

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houses and IC design centers in Taiwan, South-east Asia and China. SV Probe Asia plans to house the core design team and main support center in headquarters in Singapore, and to have customer support centers in Singapore, Taiwan and China undertake rework and repair for local customers. SV Probe Asia expects to roll out its first product in Q4 2003 and be fully ramped up by 2006. (July 31, 2003)

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## TAIWAN

**Royal Philips Electronics** and **Accton Technology** are forming a JV that will sell wireless products to Internet service providers, consumer electronics makers, and the PC and mobile phone industries. The new company, **Arcadyan Technology** owned 52% by Philips and 48% by Accton and headquartered in Hsinchu Taiwan, hopes to build on Philips' strength in audio/video and electronics equipment and Accton's experience providing outsourced communications products. Both companies are customers and development partners of the JV for wireless connectivity products. Arcadyan will provide products based on Wi-Fi 802.11, Bluetooth, and other industry standards. (July 08, 2003)

**United Microelectronics Corp (UMC)** acquired US\$5.7m worth of the US\$34m of new shares issued recently by **GemTek Technology Co** The acquisition is a part of UMC's plan to expand partnerships with wireless and networking technology startups in order to tap more business opportunities at a time when margins on chip foundry services are falling. GemTek is a leading supplier of wireless local area network (WLAN) solutions. (June 25, 2003)

As part of the trend of privatization in Taiwan, the government has reduced its stake in state-run **Chunghwa Telecom** to 66% after an option in the company's American depository receipt (ADR) deal was exercised. Before the ADR issue and local auction, the ministry had held a 79.56% stake in Chunghwa Telecom. The ministry is planning to

fully privatise Chunghwa Telecom by the end of this year or early next year. Chunghwa Telecom, the largest telecom operator in Taiwan, commands about 31% shares in the local mobile phone market. (July 28 2003)

**Suzhou** has become the world's top producer of laptop computers spurred by Taiwan investment, according to state media. The city has annual output of 10 million laptops, or about a quarter of the world's total. (July 31, 2003)

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## THAILAND

**Hyro Ltd** an Australian digital marketing and technology services company has acquired a 51% stake in the Thai IT consulting firm **Cyberworks Consulting**, as part of its key regional development strategy. The deal to lift Hyro's stake comes five months after the company, then known as BMC Media Ltd, acquired a strategic 26% holding in Bangkok-based Cyberworks, a provider of software and internet solutions. Under the cash and stock deal, Cyberworks will now be known as **Hyro Thailand**. (July 18 2003)

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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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