

# ASIAN TECHNOLOGY NEWSLETTER

Issue 34, December 2002

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

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## CHINA/HK

**Advanced Micro Devices Inc (AMD)**, a NYSE-listed company engaged in the manufacturing of semiconductor products, announced it has signed a JV agreement with **China Basic Education Software Company Ltd (CBE)** to develop computers for the education market in China. The new JV, to be called **Beijing CBE AMD Information Technology Company Ltd**, is planning to develop hardware platforms and learning tools for schools in China. This move is aimed to open a new door for AMD to tap into China's education market. (October 8, 2002)

**China Unicom Ltd**, China's second largest mobile operator, announced that it is planning to buy nine mainland mobile networks from its parent, **China United Telecommunications Group**, for RMB22.5bn (US\$2.7bn). The purchase comprises RMB4.8bn (US\$583m) in cash and RMB17.7bn (US\$2.15bn) of debt. The GSM networks are in northeastern Heilongjiang and Jilin provinces, central Henan province, Shaanxi province in the north, Jiangxi Province in the east, Guangxi Zhuang Autonomous Region in the south, Sichuan Province and Chongqing Municipality in the southwest, and Xinjiang Uygur Autonomous Region in the northwest. The networks generated a combined net profit of RMB323m (US\$39m) in 2001. (November 21, 2002)

**Legend Group Ltd**, a Hong Kong-based IT conglomerate engaged in personal computers, IT and Internet services and contract manufacturing, announced that it has signed an MoU with **China Weal Business Machinery Co Ltd** to set up a JV to provide telecom IT services in the mainland China. The JV will also acquire part of the business and assets of China Weal. As there is no dominant player in China offering telecom IT services at

## 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

present, Legend aims to build the foundations and enhance its IT service capabilities through self-development and M&A. China Weal is one of the largest IT service providers for the telecom industry in China. (October 29, 2002)

**MphasiS Group**, a provider of systems integration and IT services in India, announced that it is planning to acquire **Navion (Shanghai) Software Development Co**, in a strategic move to enter China's software market. Shanghai-based Navion, develops software for its parent, **Capital One Group**, and has 80 employees. This acquisition will enable MphasiS to become one of the first Indian IT service companies to establish a Chinese presence, by opening a development center in China. Some of MphasiS's competitors, such as **Infosys** and **Wipro**, have already begun operating in China. (November 15, 2002)

**Mykrolis Corporation**, a supplier of components and systems to the Chinese semiconductor market, announced that it has launched a major IC service center in the Pudong District of Shanghai. The facility includes sales offices, a customer service center, a prewetting liquid filter station along with a *Class 100 cleanroom* for the calibration of mass flow controllers and will provide turnkey product service and support to its Chinese customers. (November 18, 2002)

**SINA**, a Nasdaq-listed online media company and information services provider for China and global Chinese communities, has signed an agreement with Korean online game developer **NCsoft Corp** to form a JV to operate and market NCsoft's flagship *Lineage* game in China. *Lineage* is the most successful online game in Asia with over four million subscribers and approximately US\$200m in gross revenue in 2001. Online games, which generate revenue from the subscription fees paid by players, is one of the fastest growing sectors of the interactive entertainment industry. In Korea and Taiwan, two of the most mature online game markets in Asia, *Lineage* controls close to half of the total online game markets. (November 22, 2002)

**Toshiba e-Solution Co**, an Internet services unit of **Toshiba Corporation** of Japan, announced to

**Interfax** that it has signed an agreement with **Dalian Daxian Group**, a major electronics manufacturer in China, to set up a JV for the production of radio and TV broadcasting systems in Dalian, Liaoning Province. The JV, to be named **Dalian Toshiba Radio & TV Broadcasting System Co**, is one of Toshiba's 28 JVs in China. The new JV will be the first TV broadcasting equipment production base for Toshiba in China. With technologies from Toshiba, it will provide ground TV signal broadcasting equipment. Toshiba will hold a 51% stake in the JV, while Dalian Daxian will hold the remaining 49% stake. The JV is scheduled to commence operation in July 2003. (November 1, 2002)

**WPG International Ltd**, formerly known as Allcom Technologies Limited, which distributes electronics components and computer products in Malaysia and Singapore, announced that it is forming a new JV company, **Genuine C&C (China) Ltd**, with **Genuine C&C Inc**, a distributor of electronics components and computer in China and Taiwan. WPG will hold 60% of Genuine C&C China, while Genuine C&C Inc will own the remaining 40%. Through the JV, WPG expects to extend its distribution network in China and tap into the PC and PC peripherals distribution markets. (October 25, 2002)

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## INDIA

**Key Management Group (KMG)**, an IT solutions and services company in India, has announced that it will purchase a 76% stake in **Chavan Software and Services**, a German software company. KMG focuses exclusively on the insurance industry and operates in India and the US, while Chavan Software specializes in developing custom-made solutions and provides outsourcing services for "*Mittlestand*" (medium-sized companies). KMG believes that this acquisition is an important strategy for KMG to leverage its expertise in insurance and address the under-penetrated European market. (November 28, 2002)

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## JAPAN

**Canon Sales Co**, a subsidiary of **Canon group** engaged in selling Canon products in Japan, announced that it will acquire **Sumitomo Metal System Solutions Co**, a systems solutions unit of **Sumitomo Metal Industries Ltd** for ¥12.5bn (US\$104m). This acquisition is in line with Canon Sales' recent move to focus on information technology-related services. Sumitomo Metal System Solutions is engaged in systems integration, computer systems development and software sales. It posted annual sales of ¥29.1bn (US\$242.5m) in the financial year ended March 2002. (November 21, 2002)

**Enix Corp** and **Square Co**, two Japanese game software makers, announced that they have agreed to merge on April 1, 2003, to improve their earnings base and development capacity. This move marks the first time in Japan for two major game software makers to join forces. The merged firm, to be named **Square Enix Co**, aims to become the world's leading digital content maker. Enix is known for its 'Dragon Quest' series of game software and Square for its 'Final Fantasy' series. Under the agreement, 0.81 Enix share will be allocated to each Square share. The new firm is aiming for consolidated sales of ¥80bn (US\$666m) in March 2005. (November 26, 2002)

**Hitachi Ltd**, a diversified manufacturer of electronics and electrical products in Japan, announced that it will purchase a 34% stake in **Marubeni Information Systems**, information systems subsidiary of **Marubeni Corp's**, a Japanese distributor of industrial and consumer goods, for an undisclosed amount. This move is part of their agreement to form an alliance in strategic outsourcing in information systems. Upon completion of this transaction, Hitachi and Marubeni Information Systems will provide outsourcing services to Marubeni and its group companies. Marubeni Information Systems sales were ¥15bn (US\$125m) in the financial year ended in March 2002. (November 1, 2002)

**IBM Corp**, a US computer giant, announced that it has launched a consulting company in Japan, **IBM Business Consulting Services**, following its purchase of **PricewaterhouseCoopers LLP's** consulting operations. IBM Business Consulting Services, capitalized at ¥490m (US\$4m), is a wholly owned subsidiary of IBM and will provide consulting services on management and information technology. (October 4, 2002)

**NEC Corp** and **Hitachi Ltd**, two Japanese electronics equipment makers, announced that they will invest ¥44bn (US\$367m) through their 50-50 JV **Elpida Memory Inc**, to build a plant in Hiroshima, which is due to start volume production in January 2003. This investment will also finance Elpida's production of next generation of dynamic random access memory wafers and will increase its capital to ¥66.5bn (US\$554m) by March 2003. (November 18, 2002)

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## KOREA

**KTF**, Korea's second largest mobile phone carrier, announced that it will raise a total of W883.4bn (US\$736m) through new bond issues to take over **KT ICOM**, a *third-generation (3G)* business arm of **Korea Telecom (KT)**. Both KTF and KT ICOM are wireless subsidiaries of Korea KT, a dominant fixed-line telecom company in Korea. KTF is expected to secure an 87.3% stake in KT ICOM with the proposed finance plan. KT ICOM has a 3G license based on Europe-backed *wideband code division multiple access (WCDMA)* technology. KTF is also preparing to step up its own 3G service, known as *CDMA2000 1X EV-DO (evolution data optimized)*. (November 29, 2002)

**LG Chem Investment (LGCI)** announced that it will merge with **LG Electronics Investment (LGEI)** to set up a single holding company for the group, exchanging one LGEI common share for 1.82 LGCI common shares. This merger is intended increase international competitiveness by capitalizing on the synergies and management efficiencies of the two companies. The new merged entity, **LG Corp**, will

be launched in March 2003. LGCI is a holding company with subsidiaries such as **LG Chem**, and LGEI has subsidiaries including **LG Electronics**. (November 28, 2002)

**Tokai Rika Co**, a Japanese auto parts maker affiliated with **Toyota Motor Corp**, announced that it has formed a JV in South Korea with **Shin Chang Electrics Co**, a Korean auto parts maker, in which Tokai Rika has a 30% stake, and **Furukawa Electric**, a manufacturer of electric wires and cables in Japan, to manufacture electronic parts for automobiles. The new company, **STF Co**, will be 40% owned by Shin Chang Electrics Co, 35% by Tokai Rika and the remaining 25% by Furukawa Electric. STF will produce electronic parts for power windows in October 2003, taking over a related business from Shin Chang Electrics. (October 28, 2002)

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## MALAYSIA

**AKN Technology Bhd**, a Malaysian producer of plated lead-frames and back-end electroplating, announced that it will purchase a 55% stake in **Autoplus International Group Ltd** for RM17.5m (US\$4.6m). Autoplus is an investment holding company incorporated in the British Virgin Islands and is wholly owned by a Taiwanese businessman. This acquisition of shares will provide AKN Technology a manufacturing presence in China through Autoplus's subsidiary, **Ace Tech**, which manufactures computer keyboards, *PC Pens*, *USB Memory Sticks*, *PDA's* and *LED Music sticks* in Guangzhou, China. (November 14, 2002)

**Venture Corp**, a Singapore-based EMS, announced that it has paid US\$9.2m for the acquisition of **Iomega Malaysia**. Upon completion of this acquisition, an independent audit will be carried out to determine the entire value of Iomega Malaysia and, if warranted, adjustments will be made. Iomega Malaysia owns and operates a 376,000 sq m manufacturing facility in Penang, Malaysia that produces Iomega storage drives,

cartridges, service parts and accessories. (November 2, 2002)

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## SINGAPORE

**Autron Corp**, an electronics equipment distributor listed in Australia and Singapore, has acquired **IC Equipment Pte Ltd**, a contract equipment manufacturer in Singapore, for S\$5m (US\$2.8m). Through this acquisition, Autron will have its own manufacturing arm with IC equipment product development and design capabilities. It is also in line with Autron's intention to expand into China, where many of its electronics manufacturing customers are based. Autron is planning for IC Equipment to set up a US\$5m factory in Shanghai by Q1 of 2003. IC Equipment was established in 1984, and currently generates sales of approximately S\$20m (US\$11m). (November 7, 2002)

**Keppel Telecommunications and Transportation Ltd (Keppel T&T)** announced that its web hosting unit **DataOne Asia** has formed a partnership with **Internet Security Systems Pte Ltd** to provide online security services in Southeast Asia. Internet Security Systems Pte Ltd is a Singapore-based subsidiary of the **Internet Security Systems Group**. DataOne Asia provides hosting solutions, such as remote management, disaster recovery, system integration, connectivity and web hosting. (October 25, 2002)

**Nucleus Electronics Ltd (NEL)**, a distributor and marketer of electronics components based in Singapore, announced that it has signed an MoU with **Accurex Technologies Pte Ltd (ATPL)**, a Singapore-based electronics components distributor to India, to set up a JV company in Singapore for the distribution and marketing of NEL electronic components in India. NEL will hold a 51% stake of the JV company, while ATPL will own the remaining 49% stake. The principal activity of the JV company will be to act as a sales representative for NEL in the distribution and marketing of electronic

components in India. Representative offices will be set up in a few major cities in India to serve the customers. (November 9, 2002)

**Singapore Telecommunications Ltd (SingTel)** announced that it will merge two of its IT subsidiaries, **National Computer Systems Pte Ltd (NCS)** and **SingTel Aeradio Pte Ltd (SAPL)**, through a transfer of its shares in SAPL to NCS. Upon completion of this transaction, targeted before the end of 2002, SAPL will be a fully owned subsidiary of NCS. The combined entity will make NCS a leading IT and engineering services provider in the region with a total annual revenue of S\$600m (US\$337m) and 2,800 IT staff. (October 4, 2002)

**SingTel** announced that it has divested its entire 50% stake in its JV, **FailSafe Corp (Singapore) Pte Ltd**, to **Failsafe Corporation Holdings Pte Ltd**, a disaster recovery and hosting including co-location services provider in Singapore. This divestment is aimed to consolidate SingTel's managed hosting capabilities and data center operations in Singapore and in the Asia Pacific. SingTel and Failsafe Corp formed the JV in 1999 to provide IT outsourcing, mission critical application hosting, web hosting and business continuity services. (November 28, 2002)

**Singapore Technologies Engineering Ltd** announced that its electronics arm and wholly owned subsidiary, **Singapore Technologies Electronics Ltd (ST Elect)**, has acquired a 22% stake in **RF Korea Inc.** With the acquisition, RF Korea has become an associated company of ST Elect. ST Elect plans to work with RF Korea to provide wireless infocomm solutions in Mexico. RF Korea, a company incorporated in Korea, specializes in radio frequency module design and manufacturing, cellular phone repeater system, optic transceiver system design and radio frequency power amplifier. (November 27, 2002)

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## TAIWAN

A JV of **Nanya Technology Co** of Taiwan and **Infineon**, a German semiconductor maker, announced that they will build the world's largest memory chip plant in northern Taiwan. Nanya and Infineon will invest Euro550m (US\$546m) each in the construction of the planned *12-inch chip* plant in the next three years, and the two companies will equally share all expenses required for various production technology R&D plans. The plant is expected to start its trial production of *DRAM chips* in late 2003 using *0.09-micron* manufacturing technology. (December 2, 2002)

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## THAILAND

**CS Communications Co Ltd**, an ISP of **Shin Broadband** of Thailand, announced that it has signed a share swap merger deal with **Loxley Plc**, a Thai group providing products in chemical, construction materials, consumer products, media and entertainment and telecommunication. Under the deal, Loxley's subsidiary, **Point Asia Dot Com (Thailand)**, will hold a 49% stake in CS Communication. Shin Broadband will keep a 50% stake in CS Communication, while **the Communications Authority of Thailand (CAT)** will hold the remaining 1%. CS Communication will be renamed **CS LoxInfo** and will be operational by January 2003. This merger will create Thailand's biggest ISP, with a 40% market share. The combined revenues of CS Communication and Loxinfo for FY2003 is expected to be Bht1.4bn (US\$32.2m). (October 17, 2002)

**M-Web (Thailand) Ltd**, a web content provider in Thailand, announced that it has acquired the Thai operations of **Catcha.com**, Southeast Asia's digital media group, with focus on local Internet content and e-commerce. This acquisition will make M-

Web (Thailand) the largest web content provider in Thailand. M-Web (Thailand) aims to benefit from Catcha's established database and experienced IT staff. (October 3, 2002)

its bandwidth capacity by connecting with *the Singapore exchange (STiX)*. *STiX*, which is developed and managed by **SingTel**, is Asia-Pacific's largest Internet exchange, providing ISPs, content providers and corporate users access to the Internet via submarine cables and satellites. VDC approximately has a 60% market share of the Internet subscriber market in Vietnam. VDC aims to use additional bandwidth to meet its customers' demand for faster, more reliable Internet connections, and to offer international data transport in Vietnam. (November 19, 2002)

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## VIETNAM

**Vietnam Datacommunications Company (VDC)**, Vietnam's largest ISP, announced that it will double

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Andrew Huntley, Managing Director

Terrence Giang, Analyst  
Eric Chung, Analyst

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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. BDA helps 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 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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