

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

5G Wireless Communications Inc, a wireless solutions provider in the US, announced that it signed a Letter of Agreement to acquire 30% of **Skyhub Asia Holdings Limited**, a regional ISP based in Hong Kong and Singapore. Under the terms of this agreement, 5G shall provide financing of US\$1m for the fulfillment of existing contracts and additional working capital for future expansion. In addition, 5G has an option to purchase an additional 20% interest within three years of this agreement. This acquisition provides 5G with strategic capabilities, which will enhance the coverage in Asia, South Africa, Middle East and Europe allowing 5G to quickly and cost effectively deploy its wireless networks. (May 10, 2001)

Intel Capital, an Intel Corp strategic investment program, plans to invest approximately US\$200m to US\$250m in Asia. The aim of this program is to help grow the Internet economy in Asia. To date, about 70 investments out of a worldwide total of 575 have been made in Asia Pacific. The largest regional outlay has been US\$100m in **Samsung Electronics**. For Asia Pacific, excluding Japan, one-third of the current portfolio investment is in India, one-third in China and the remaining spread across the rest of Asia. In terms of sectors, more than half of the investments in Asia are in e-business related companies. The rest are in technology, networking and communications and service companies. Intel Capital works with venture capitalists and institutional investors, as well as its own business units, to identify strategic investments. (May 16, 2001)

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 of our newsletter, we profile several SAP consulting firms in Hong Kong and Singapore.

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

Andrew Huntley
Managing Director

Motorola Inc of the US announced that it won contracts worth US\$141m to supply mobile phone network equipment to **China Unicom Group**, China's second-largest cellular operator. China Unicom, the parent company of Hong Kong-listed China Unicom Ltd, will buy cellular gear using the GSM standard in Jiangsu, Shandong and Xinjiang provinces. Motorola said it has won more than US\$900m in telecoms equipment contracts in China since April 2001. (May 21, 2001)

Shanghai Bell Telephone Equipment Manufacturing Co Ltd has won a US\$157m contract to supply equipment for **China Unicom's** CDMA systems in Beijing, Guangdong and ten other regions. Under the contract, Shanghai Bell will supply CDMA network systems to Shanghai, Tianjin, Hebei and Fujian, and switchboard systems for the CDMA networks in Beijing, Guangdong, Jiangsu, Shandong and four other regions. (May 21, 2001)

INDIA

Commerce One Inc, a US B2B software company, launched its electronic marketplace services in India through a partnership with Indian firm **Gate2biz.net**. The company will offer Indian companies the opportunity to tap global trading opportunities, with access to its network of 157 other e-marketplaces. Some Indian companies such as **Hindalco Industries**, **Tata International** and **DCM Shriram Consolidated** have already conducted transactions on Gate2biz.net. (May 13, 2001)

Nice Systems, a Nasdaq-listed Israeli Internet company, has formed a partnership with **Tata Telecom** of India to offer customer management applications in India. The partnership is structured as a distribution agreement that calls for India-based Tata

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to sell, install and fully support Nice's customer experience management systems in India, including digital recording and quality management offerings. Tata provides a full range of contact center offerings at more than 50 service centers in India and its clients include **GE Capital Services**, **Citibank**, **United Airlines** and **Virgin Atlantic**. (May 13, 2001)

Philips Electronic, a Dutch electronics company, has made an offer to buy a 17.37% stake in Indian electric equipment maker **Punjab Anand Lamps** at Rp95 (US\$0.02) per share. Philips already holds a 59.06 % stake in Punjab Anand Lamps. It said the offer is not conditional on a minimum level of acceptance and is being made through investment bankers DSP Merrill Lynch. (May 24, 2001)

Wipro Ltd, a Bangalore-based Internet company, announced that it has merged with **Wipro Net**, its own Internet access subsidiary, to enhance its services portfolio. The merger is proposed to be effective from April 1, 2001, subject to court and shareholder approval. Wipro Net now consists of only the corporate services business, offering Internet access and managing private computer networks. The merger has combined Wipro's IT products, services and software applications with Wipro Net's communication services. (May 17, 2001)

JAPAN

Denso Corp, Japan's largest car component maker, announced that it will collaborate with with audio equipment maker **Kenwood Corp** of the US to develop 3G-compatible cell phone handsets for **J-Phone**, the wireless arm of Japan's number three carrier, **Japan Telecom Co Ltd**. J-Phone currently holds 16% of Japan's mobile phone market, compared with **DoCoMo's** 60%. Denso also said it will work with Kenwood to develop current, or second-generation (2G) mobile phone handsets for J-Phone and will collaborate with high-tech components maker **Kyocera Corp** of Japan on 2G handsets for Japan's number two telecoms firm, **KDDI Corp**. The decision

to collaborate with Kenwood and Kyocera on the development and production of wireless phones was partly to free up resources so Denso could focus its telecommunications business on the area of telematics. (May 11, 2001)

International Business Machines Corp (IBM) of US and **Seiko Epson Corp**, an affiliate of watch-making Seiko Corp, reached a basic agreement to form a JV to make chips for customers that make mobile, Internet and wireless computing devices. The JV will use production lines at an **IBM Japan Ltd** plant in Yasu, Shiga prefecture. The plant will also have a new facility capable of etching a line width of 0.13 microns on 300-milimeter silicon wafers, and eventually 0.1 micron. (May 24, 2001)

NTT DoCoMo Inc, a mobile carrier in Japan, announced that it will increase its stake in Hong Kong's **Hutchison Telephone**, a unit of **Hutchison Whampoa Ltd**. DoCoMo said it will pay US\$30.4m for an additional 6.37% stake in the company, bringing its total ownership to 25.37%, and appoint a second director to strengthen ties between two companies. DoCoMo has also purchased stakes of 15 to 20% in U.S. mobile operator **AT&T Wireless Group** and Taiwan's **KG Telecom**, and is expected to enter the Chinese and South Korean markets in Q2 of 2001. (May 22, 2001)

KOREA

Dacom Corp, a telecom company in Korea, announced that it will spin off its telemarketing division to set up **Customer Interaction Center Korea Inc [CIC]**, a telemarketing service. Dacom and Japanese telemarketing firm, **Trans Cosmos Inc [TCI]**, will jointly launch the firm investing W6.8bn (US\$5.3m). CIC will be Korea's biggest telemarketing company with capital of W4bn (US\$3.1m), 1,000 employees, and 1,800 phone lines. (May 24, 2001)

Korea Telecom and China's third-largest telecommunications firm, **China Netcom**, have

signed an agreement to cooperate on telecoms projects. Both companies would jointly build telecoms networks in areas where many ethnic Koreans live in China and market international telephone cards under the same brand. The Chinese government set up China Netcom in August 1999, to build high-speed telecoms networks. (May 21, 2001)

Korea Telecom, Korea's largest fixed-line telephone company announced that it was trying to forge strategic alliances with foreign firms by Q2 of 2001 as part of its privatization drive. It claims to be in talks with three or four foreign firms and is trying to sign MOUs with them by the end of June 2001. Korea Telecom's potential foreign partners are not limited to telecom firms, but could also be Internet service operators and content providers. In addition to finding foreign partners, Korea Telecom is planning to sell the government's shares in the company through global depository receipts. It reports that board members approved a plan to sell a 16% of the government's stake in the firm via depository receipts. The stake sale to foreign partners and the issuance of depository receipts will reduce the government stake from its current 58%, worth W1.4tr (US\$1.07bn), to 27%. (May 11, 2001)

MALAYSIA

British Telecommunications Plc (BT) has agreed, in principle, to sell its 33.3% holding in **Maxis Communications Bhd** of Malaysia to **Usaha Tegas Sdn Bhd** for £350m (US\$502m) in cash. Usaha Tegas is owned by Malaysian tycoon Ananda Krishnan. The sale represents a 25% return on investment for BT, which in 1998, invested £280m in Maxis. BT also agreed to sell its interests in Japan Telecom and J-Phone for £3.7bn (US\$5.3bn), and Airtel in Spain for £1.1bn (US\$1.6bn). BT also has an 18% stake in Singapore's **StarHub Pte Ltd**. (May 4, 2001)

MCM.Com Sdn Bhd of Malaysia, a subsidiary of **Arab-Malaysian Corporation Bhd**, has entered into a JV with India's **Blue Star Infotech Limited (BSI)**

to establish joint information technology consultancy services. Under the deal, MCM.Com's wholly-owned subsidiary Arab-Malaysian Information Technology Sdn Bhd [BIMSB] will be relaunched as **BlueStar Infotech (Malaysia) Sdn Bhd**. It will focus on specialized software development, application support, application integration, application package implementation, and professional IT services. (May 16, 2001)

PHILIPPINES

Globe Telecom Inc, a mobile phone provider in the Philippines, has signed a US\$110m contract with **Ericsson** of Sweden to upgrade and develop its GSM network infrastructure. Of the total, US\$71m will be part of Globe's US\$330m Phase 8A expansion program, with the company having an option to purchase another US\$39m worth of equipment as the need arises. The deal involves the supply and implementation of 231 new cell sites all over the country, as well as the interchange of 87 other cell sites. (May 21, 2001)

Nokia of Finland has signed a contract worth approximately US\$310m with **Globe Telecom** for the expansion of its existing GSM 900 and 1800 Handphone Service in the Philippines. Within 24 months, Nokia will supply and install Mobile Switching Centers, Home Location Registers, Transit Switching layers and base station controllers, including its industry-leading UltraSite product, which can support GSM, High Speed Data, GRPS, edge and WCDMA for 3G technologies. (May 17, 2001)

Philippine Long Distance Telephone Company (PLDT) and **IBM Philippines** have agreed to work together in their ASP initiatives. IBM will co-locate its ASP initiatives in PLDT's P1.6bn (US\$31.6m) Internet Data Center (IDC), where it will house its own ASP and will also host, co-locate and manage the

computer servers, applications and bandwidth for its Internet and multi-media operations. (May 15, 2001)

SINGAPORE

Cable and Wireless Optus of Australia, **Singapore Telecom** and **Telecom New Zealand** have announced that they will build a submarine cable to meet regional demand for broadband. The cable will link Singapore, Jakarta and Perth, with connections then being made throughout Australia and Asia Pacific via the carriers' existing cable networks. The 9,800km Asia to Australia link will complement the recently commissioned Southern Cross Cable Network which links Australia, New Zealand and US. (May 15, 2001)

eGuide Singapore Pte Ltd, a Singapore-based online business directory service provider expects to invest between A\$1.5m (US\$789,000) and A\$2m (US\$1m) in Australia by the end of 2001. This includes infrastructure and operational costs. The company recently launched its online directory for Australia, which claims to list the corporate profile and contact details of one million businesses in the country. eGuide currently operates directories for Singapore, Malaysia and Thailand, which list 80,000, 180,000 and 100,000 businesses respectively, and it has spent S\$8m (US\$4.44m) to establish its operations in this region. (May 13, 2001)

GIC's Special Investments Pte Ltd, the private equity investment arm of **the Government of Singapore Investment Corporation (GIC)** is investing US\$50m in **Walden International's** venture capital fund. GIC's Special Investments Pte Ltd manages an international portfolio of investments comprising venture capital and private equity funds, as well as direct investments. Walden International announced that its US\$1bn Pacven Walden Ventures V (Pacven V) fund will provide seed and start-up capital for technology companies in Asia and the US.

The company plans to invest from US\$5m to US\$25m in communications, software, Internet, semiconductor, electronics, implementation services and life sciences sectors. GIC Special Investments has been investing in Walden's country and regional funds since 1986. (May 4, 2001)

Global One, a member of the France Telecom Group, expects to expand its Internet data center (IDC) business in the Asia Pacific with the introduction of three new global services namely, **Global VPN** (virtual private network), **Global Direct Dial** and **Global Call Center**. The company, which has its Asia Pacific-based data centers in Singapore, Hong Kong and Japan, is planning to roll out these services in these three countries as well as in Taiwan, Australia and New Zealand. Global VPN will provide integrated voice solutions to its customers over a virtual private network, while Global Direct Dial offers long-distance calling services. The Global Call Center is a service that routes inbound calls from any local number to a regional call center. Global One has over 30,000 corporate customers worldwide, including **Arab Bank**, **China Shipping Group**, **Coca-Cola**, **Eurodisney**, **Lucent Technologies**, **Nortel Networks**, **Samsung**, **Toshiba** and **Unilever**. (May 9, 2001)

Manugistics Group Inc of the US announced that it will invest up to US\$20m in Asia Pacific by February 2002. The company, which provides supply chain management (SCM) as well as revenue and pricing optimization solutions for enterprises, said it plans to boost its recruitment, infrastructure and marketing, among others. Manugistics announced that most of the hiring will be for engineers and consultants in Singapore. The company currently has 100 employees in Australia, Japan, New Zealand, Singapore and Taiwan and has over 60 customers in Asia Pacific including **Hewlett-Packard**, **Port of Singapore Authority**, **GlaxoSmithKline**, **Ford**, **United Parcel Service**, **Swissair** and **Fairchild Semiconductor**. (May 3, 2001)

Pacific Century Cyber Works (PCCW) of Hong Kong announced that its wireless JV with **Telstra Corp** of Australia plans to bid for **MobileOne (M1)**, the second largest wireless carrier in Singapore, pending an agreement with its Australian partner. **Citigroup**

Inc and **UBS Warburg** will finance a bid for M1. M1 has one-third of Singapore's cellular phone market with an estimated 800,000 customers and is valued at roughly S\$2.0bn to S\$2.5bn (US\$1.1bn to \$1.38bn). It is held by media group **Singapore Press Holdings**, **Keppel Corp** of Singapore, **Cable & Wireless** of Britain and PCCW. (May 25, 2001)

Solectron Corp of the US, a provider of electronics manufacturing and supply-chain management services, announced that has agreed to buy privately held **Singapore Shinei Sangyo Pte Ltd** for undisclosed terms. Singapore Shinei designs and makes enclosures for electronics products, and its customers include Cisco Systems Inc, Hewlett-Packard Co and Apple Computer Inc. Solectron, which makes brand name products for electronic companies, expects to complete the deal in June and will expand its power, packaging and cooling capabilities. Shinei has approximately 3,000 employees worldwide and business operations that include locations in China, Malaysia, Singapore, Scotland and US. (May 25, 2001)

WizOffice.com Ltd, a publicly-listed Internet company on Singapore Stock Exchange, announced that it is conducting due diligence on **7G Studios Inc Pte Ltd**, an animation content creator in Singapore, with the intent of taking a 51% stake in 7G Studios. Established in 2000, 7G Studios provides 3D HDTV stereovision productions with operations in China, Hong Kong, Japan, Singapore and Thailand. This deal is subject to the approval of the WizOffice board and the Singapore Exchange, and is worth approximately S\$2.04m (US\$1.1m). (May 24, 2001)

TAIWAN

Satellite Television Asia Region Ltd (STAR), a unit of Rupert Murdoch's News Corp, will invest US\$240m in about 29 cable partners owned by **Koos Group** to help them upgrade their equipment. Star will take a stake in the cable networks and upgrade them for delivery through faster broadband lines, allowing interactive television and high-speed Internet

FOCUS:

SAP consulting firms in Hong Kong and Singapore

services. News Corp, the world's largest satellite-television provider announced in March it would raise A\$182m (US\$95m) to pay for an investment in cable TV networks in Taiwan. **Gigamedia Ltd**, part of the Koos Group and one of Taiwan's largest Internet service providers, in March backed out of an agreement with Star to invest more than US\$100m in a venture to give cable television subscribers in Taiwan Internet access through their TV sets. (May 3, 2001)

Taiwan Cellular Corp, Taiwan's biggest mobile telephone company, announced that it will pay NT\$13.5bn (US\$410.6m) for 97% of regional rival **TransAsia Telecommunications Inc**, a regional mobile telephone company in Kaohsiung. Taiwan Cellular said TransAsia will remain as an independent company that will be listed on Taiwan's stock market. The purchase of TransAsia may herald further consolidation in the wireless industry in Taiwan. Of six licensed mobile telephone operators in Taiwan, only **Far EasTone Telecommunications Ltd**, **Chunghwa Telecom Ltd**, **KG Telecommunications Ltd** and **Taiwan Cellular** have nationwide coverage. TransAsia's largest shareholder is SBC Communications Inc, the second-largest US local phone company, which has a 44% stake. The other major shareholders are Taiwan-based companies **Goldsun Group** with a 39% stake, the **Mercury Group** with a 7% stake and **Walsin Lihwa Ltd** with a 6% share. (May 9, 2001)

In line with the location of multinational regional headquarters, Hong Kong and Singapore have become regional hubs for Asian-based SAP consulting firms. While opportunities in the high-end market are diminishing, the SME markets provide potential for SAP consulting firms. SAP consulting firms in this region have typically been targeting MNCs and large corporations who deploy SAP solutions, but they are now targeting the SME customers. Most of them provide SAP implementation and consulting services in applications for customer relationship management (CRM), e-commerce application and supply chain management (SCM). Their customers are generally in the distribution or manufacturing sectors, although the financial and retail sectors are also growing.

The following paragraphs briefly introduce several interesting SAP-focused IT consulting firm in Hong Kong and Singapore who have begun to expand beyond their own home territory and have become regional or sub-regional players.

Hong Kong

Armitage Computer Systems Ltd

Armitage is a Hong Kong-based IT solutions provider established in 1980. The company specializes in developing application systems in the areas of manufacturing, transportation, healthcare, finance and accounting for private organizations, utility companies and the government sector. It also provides customization and implementation of selected overseas packaged software; technical consultation in network solutions, e-solutions; project management/consultation and database administration. Recognized as one of the bigger local SAP consultancies, it currently has 120 IT professionals, of whom 70 are in Hong Kong. Armitage has formed a JV in China [Guangzhou] for the Chinese market and to take advantage of lower cost IT staff.

THAILAND

TelecomAsia Corp Pcl, Bangkok's largest fixed-line telephone operator, plans to sell as much as Bht36bn (US\$790m) of Thai baht bonds and use the proceeds to repay foreign currency debt. TelecomAsia said it aims to repay almost all of its foreign debt to reduce possible foreign exchange losses in the face of a 4.8% depreciation of the baht this year. The company has about US\$1.7bn of debt, half of which is denominated in dollars and yen. (May 22, 2001)

Oasis Computer Consultants Ltd

Oasis Computer Consultants Limited is a privately owned company established in 1987. The company provides consulting services, IT training and SAP solutions for financial systems, ERP systems, customer relationship management (CRM) packages, warehouse and logistics system, electronic business solutions, customized application development and payroll systems. Headquartered in Hong Kong, it has operations in seven cities in China with 200 staff.

Singapore

ESP Management & Consulting Services Pte Ltd

ESP is a Singapore-based SAP implementation consulting firm established in 1996. The company provides a pre-configured version of the SAP R/3 system, EzSaP, and other SAP implementation consulting services for the asset management, financial accounting, materials management,

production planning, sales and distribution functions. It has project experience in Hong Kong, Korea, Singapore, Thailand, Philippines and Taiwan. Its major clients are in the manufacturing, high-tech semiconductor, food and beverage, logistics, trading/retail and telecommunications sectors, including such large names as Sembcorp Logistics and Caltex Oil. It has operations in Korea, Singapore, Taiwan and Philippines.

Everest Professional Services Pte Ltd

Everest Professional Services Pte Ltd is a privately owned SAP consulting firm established in 1996. The company provides information planning, project management, software evaluation and confirmation, R/2 to R/3 upgrade and data conversion. Covered sectors include utilities, oil and gas, manufacturing, tech, retail, trading and distribution, education and government and insurance. Headed by Steven Sho, it has operations in Australia, Singapore and Thailand. The company has a staff of 50 in its Singapore office.

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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 and acquisitions. 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 Charles Maynard in New York, Euan Rellie in London, Andrew Huntley in Singapore, Simon Wu in Shanghai or Paul DiGiacomo in Hong Kong.

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