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## ASIAN TECHNOLOGY NEWSLETTER

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

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### 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 look at some of the online brokerage enablers in China.

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Andrew Huntley  
Managing Director

### CHINA/HK

**China Telecom**, the **Communications Authority of Thailand**, **Enterprise of Telecommunications Lao**, **Singapore Telecommunication Ltd**, **Telekom Malaysia** and **Vietnam Posts and Telecommunications Corporation** have completed the laying of an overland cable linking China, Vietnam, Laos, Thailand, Malaysia and Singapore. The new China-Southeast Asia cable network currently spans 7,000 km across the six countries, and will begin commercial operations from February 1, 2001. Designed with a total capacity of 2.5 Gbps, or the equivalent of 30,000 simultaneous calls, the new cable will be used for international leased circuit, Internet and voice services. At present, China-Southeast Asia Cable has landing points in eight cities - Shanghai, Guangzhou, Hanoi, Vientiane, Bangkok, Kuala Lumpur and Singapore. (January 31, 2001)

**Hutchison Telecom**, a subsidiary of **Hutchison Whampoa**, has signed an MOU with **NTT DoCoMo** and **Sony Computer Entertainment** to jointly develop a new network service and related applications for Hong Kong and other overseas markets. Under the agreement, the three companies will jointly explore the development of a new network service that combines the mobile Internet services of Hutchison Telecom and NTT DoCoMo with Sony Computer Entertainment's Playstation technology. They will also conduct research on designing new interfaces between mobile Internet terminals and the Playstation, as well as between the Playstation, a gateway server and servers of content providers. (January 31, 2001)

**Nissin Electric Co** will spend ¥1.5bn (US\$12.8m) to expand its electrical substation production facilities in China and Taiwan in response to growing demand for electricity in those two markets. It will build a new plant in Wuxi, Jiangsu Province, for the manufacture of space-saving capacitors for midsize substations, as well as founding a new JV in Beijing to produce substation equipment. It plans to increase output of substation equipment at another tie-up in Wuxi and to expand production at a JV in Taiwan in 2001. (February 2, 2001)

**Pacific Century CyberWorks Ltd**, the Hong Kong Internet and telephone services company, will sell its entire stake in its JV with **Spike Networks Ltd**, an Australian Internet company, to a Hong Kong-based venture capital firm, **Techpacific.com Ltd**. Techpacific.com Ltd will issue HK\$45.7m (US\$5.9m) worth of shares to PCCW in exchange for its 30% stake in Spike CyberWorks Venture. PCCW's exit from the venture is in line with its current strategy to cut Internet spending. Pacific Century CyberWorks Ltd will limit yearly spending on its B2C operations to US\$200m. Separately, Techpacific will buy a further 21% in Spike CyberWorks, which will issue new shares worth US\$46m. (January 31, 2001)

**Softbank Investment International (Strategic) Ltd** of Hong Kong has agreed to take over a unit of financial services provider **e2-Capital (Holdings) Ltd** for HK\$318.5m (US\$40.8m). It will pay HK\$130m (US\$16.2m) in cash for a 51% stake in e2-Capital Securities, funded by issuing 132.7 million new Softbank Investment shares to its Japanese parent company **Softbank Corp**. Softbank Investment will then pay the remaining sum by issuing 192.3 million new shares at HK\$0.98 (US\$0.13) each to e2-Capital. Softbank Investment, formerly an apparel maker and dyestuffs distributor, was taken over by Softbank Corp in January 2000. (February 2, 2001)

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## INDIA

**Indian Federal Ministry for Information Technology** has closed down five divisions, including its computer software development division and its special IT projects division, as part of a major restructuring exercise. The ministry will soon effect necessary transfers to redeploy manpower including these from the abolished divisions. (January 5, 2001)

Net surfers in Mumbai can bypass congestion, slow downloads and erratic connectivity with the recent launch of the converged **NOW (Network of the World)** via the city's first private international gateway. The Mumbai gateway will provide local Internet users with high-speed broadband connections to NOW, the converged interactive TV-web site rolled out from London in June 2001. NOW features sports, music, the environment, online games, films and art. (January 5, 2001)

The **government of the southern state of Andhra Pradesh** has invited four American software security certification companies to develop a pilot project on secured IT infrastructure and electronic file movement within the government departments for promoting e-governance. A Request For Interest (RFI) has been sent to four companies: **Entrust, Baltimore, Thwart and Verisign**, to demonstrate their concepts on developing such a project. (January 5, 2001)

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## INDONESIA

The **Indonesian Association of Internet Service Providers (APJII)** forecasted that the number of Internet users in Indonesia is set to double from 2 million to 4 million by the end of 2001. While such growth is a significant jump in one year, penetration would still remain low at less than 2%. Indonesia lags behind its neighboring Asian countries in Internet usage, especially compared to Australia, Korea and Singapore with Internet penetrations of approximately

30% to 40% or more. APJII believes the growth will be driven by programs that introduce the Internet to high schools, in addition to the increase in Internet use in Internet cafes. (January 4, 2001)

**PT Telekomunikasi Indonesia**, Indonesia's main domestic call operator, introduced a service that will allow voice-over-Internet protocol (VOIP) providers to use the company's network. **Telkom Domestic Clearinghouse (TDC)**, a Telkom subsidiary jointly owned by **PT Vasindo TeleInternet**, will provide Internet-compatible bandwidth for Telkom's network, which will allow Internet users to run VOIP applications. Calling-card operators and telecommunications kiosks will also provide VOIP service through TDC. (December 2, 2000)

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## JAPAN

**Asia Global Crossing**, a regional fiber optic communications network builder and operator has launched a high-speed Internet service for ISPs in Japan. It has signed up with two big customers, **AtHome Japan Co Ltd** and **ASAHI Net Inc**, at launch. The service links each ISP to Asia Global Crossing's Tokyo gateway, which connects with **Pacific Crossing-1**, a backbone cable connecting North America and Japan. Pacific Crossing-1 is majority-owned by Asia Global Crossing. Asia Global Crossing is owned by a consortium of **Global Crossing**, Japan's **Softbank**, and **Microsoft Corp**, and it has partnered with local carriers to build its pan-Asian network into other Asian nations. (January 31, 2001)

**Hikari Tsushin Inc** has announced that it will sell stakes in six Internet-related companies worth US\$30m to its Hong Kong-listed unit, **Hikari Tsushin International**, to simplify management of the holdings. The six companies include **Stareastnet.com Corp**, **Outblaze Ltd**, **8848.net Inc**, **Sohu.com Inc**, **@Network Inc** and **Toecom Inc**. Hikari Tsushin International, formerly Golden Power International Holdings Ltd, a maker of batteries, electronics and silicon rubber products, was bought by Hikari and

Pacific Century CyberWorks for HK\$839m (US\$108m). Hikari owns a 51% stake in the company. (January 17, 2001)

**Mitsubishi Corp** has announced that it has agreed to invest US\$3m for an 8% stake in **Pacfusion.com**, an Internet business subsidiary of **Pacific Internet Ltd**. The capital injection, which values Pacfusion.com at US\$37.5m, will be used to finance the e-commerce unit's operations. Under the deal, Pacfusion.com will leverage on Mitsubishi's business network to identify e-commerce opportunities including offering B2B exchange services. (January 23, 2001)

Twenty-two major global airlines, including **All Nippon Airways Co** and **Japan Airlines Co**, and six major oil firms have announced that they will join forces to create a website for aircraft fuel procurement, a major cost for airlines. The new venture, **Jet-A.com**, is slated to be established at the end of March with a head office in Chicago, and operations are scheduled to begin in April. The partners anticipate that their joint efforts will achieve aggregate savings of roughly US\$100m annually. (January 29, 2001)

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## KOREA

**Asiatelecom Co** of Korea has announced that it will provide international call services in partnership with **China Telecom** from March 2001. Asiatelecom will make use of China Telecom's exclusive lines and provide cheaper and steadier services between the two countries. Through the joint project, Asiatelecom Co hopes to add W400m (US\$314,400) in additional sales. (January 26, 2001)

**Korean Air Co** and **Asiana Airlines**, Korea's only two airlines, agreed to form a venture to jointly offer their travel products online, a move aimed at reducing costs and competing with foreign travel websites. The combined website will start operating in Q2 of 2001. Technology for the Korean website will be supplied by **Orbitz**, a travel site company founded by **Delta Airlines Inc** and other US carriers. The site will let

customers buy and make reservations for flight tickets, car rental and other travel products. (January 17, 2001)

The **Information and Communication Ministry** announced that the number of wireless Internet subscribers in South Korea increased to 15.78 million in December 2000. Of the subscribers, web browser users rose by 1 million to 8.8 million, while those utilizing message-only transmission services stood at 6.9 million. SK Telecom held 30.5% of the wireless Internet market with 4.8 million subscribers, followed by Korea Telecom Freetel with 29.9%, or 4.7 million subscribers. (January 29, 2001)

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## MALAYSIA

**Google**, a US search engine, has formed a partnership with **Chilipadi.com**, a new wireless content provider in Malaysia. Chilipadi.com will be able to access Google's wireless search engine through most wireless devices. The partnership lets Chilipadi users search an estimated 2.3 million wireless web pages. The deal marks Google's first Asian wireless client. Chilipadi is a start-up providing content for wireless customers in Malaysia and Singapore. (January 17, 2001)

**Telekom Malaysia Bhd** launched its Internet data center (IDC), **TM IDC**, in Cyberjaya on January 30, 2001. The services of the TM IDC are targeted at MNCs, ASPs, ISPs, and other similar companies. Currently, the TM IDC provides three main types of services: a basic co-location service, a managed service and a flexible customized service. At the launch ceremony, Telekom signed customer service agreements with five new customers, **Asianfrontiers Network Services**, **I-C-X.com**, **Streetmarkets.com**, **Joc Technology** and **Internet Capital**. Its IDC has 16,000 sq feet of floor space with a capacity of 490 server racks and 3,920 medium sized servers. (January 31, 2001)

## PHILIPPINES

**Informatics Holdings Ltd**, an international provider of training and education services, has partnered with **Ericsson Education Asia Pacific** to offer WAP training programs at its Informatics computer schools in India, Malaysia, Philippines and Singapore. The collaboration between Informatics and Ericsson Education aims to provide IT professionals and students the skills to develop wireless products and mobile Internet services. Informatics is a franchiser of 327 training centers in 32 countries across Asia, Africa and Europe. (December 20, 2000)

The **Philippines government** has approved P1.4bn (US\$28.2m) worth of investment in the information technology (IT) sector. The Board of Investments (BOI) will invest in some IT companies including **PLDT Inc**, **Jupiter Systems Inc** and **JGC Philippines Inc**, which will be eligible for incentives from the Board. (January 5, 2001)

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## SINGAPORE

**Allegro Manufacturing Pte Ltd** of Singapore has raised investment from a number of international partners to form a semiconductor front-end equipment "foundry" in Singapore. Investors in the venture include **EDB Investments Pte Ltd** of Singapore, **Hermes-Epitek Corporation** of Taiwan, the **Lam Research Corporation** of the US and **Tokyo Electron Ltd** of Japan. Allegro, which provides outsourcing and manufacturing services to semiconductor equipment makers, expects a strategic share of total sales estimated to reach US\$30m by 2003. (January 31, 2001)

**Flextronics**, the world's fourth largest electronics and contract manufacturer, listed on Nasdaq, has announced that it will acquire the inventory and equipment at **Ericsson** factories in Brazil, Malaysia,

Sweden, the UK, and will hire 4,200 of its employees. Ericsson, Flextronics' largest customer, has been seeking a way to turn around its money-losing cellphone business and reduce the risk of mounting inventories by letting Singapore-based Flextronics do the manufacturing. Terms of the agreement weren't disclosed. The accord makes Flextronics one of the world's largest handset manufacturers and allows it to grab high-profile business over its larger rival **Solectron Corp** and **Elcoteq Network Oy**, a Finnish maker of cellular-phone components. Flextronics also builds phones for **Nokia Oy**, **Motorola Inc**, **Siemens AG** and **Alcatel SA**. The company has its headquarters in Singapore and operations in the US with a current market cap of US\$15bn. (January 11, 2001)

**Wizoffice.com**, a Singapore-based Internet company, has announced that it will enter into a JV agreement with Singapore-listed **Planex Communications Inc (PCI)** and **GCM International Ltd**, to take a stake in **Planex Communications Private Limited**. The JV will be the sole distributor for PCI's network-related products and computer accessories and equipment throughout Singapore and the rest of Southeast Asia. (January 5, 2001)

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## TAIWAN

**Fortune Venture Investment Group (FVIG)**, a Taiwanese venture capital fund management company, has raised US\$110m for investing in high technology areas such as software, e-commerce, Internet, data communications and semiconductors. FVIG, which manages a portfolio of venture capital funds in excess of US\$300m, had previously raised US\$30m for its Fortune Technology Fund I and US\$50m for its Fortune Technology Fund II. Both of the Fortune Technology Funds will be managed by FVIG's Singapore unit, **Fortune Venture Management Pte Ltd (FVMSG)**. (January 17, 2001)

**GVC Corp**, a Taiwanese maker of telecom equipment, signed an agreement with **Ericsson AB** of Sweden

to design and produce cell phones. GVC will begin production of general radio packet service (GPRS), mobile phones for Ericsson by August 2001. GVC makes mobile phones under contract for some Japanese companies and markets phones in Taiwan under the GVC brand. (February 1, 2001)

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## THAILAND

**Internet Thailand**, in cooperation with the **Department of Agriculture (DOA)** and the **National Electronics and Computer Technology Centre (Nectec)**, will launch a pilot agricultural portal to sell Thai food produce. With the launch set for Q2 2001, the site will be positioned to serve three major parties: agriculturists, exporters and food processors. (January 29, 2001)

**Krung Thai Bank (KTB)** of Thailand and the **Communication Authority of Thailand (CAT)**, a telecommunications regulator, have jointly contracted **Plus.com** to develop an online payment service for CAT customers. The new service is scheduled to start operations in early 2001 and will be available to CAT customers with existing KTB savings accounts through KTB's Self-Service Banking facility. (January 5, 2001)

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## VIETNAM

Vietnam's **Ministry of Science Technology and Environment (MoSTE)** has called for US\$70m to fund the development of the country's software industry. The proposal is part of an overall MoSTE plan to boost the software industry over the next five years. (January 5, 2001)

The **Vietnam Data Communication Company (VDC)** is expected to increase Vietnam's Internet gateway capacity from 24 Mbps to 135 Mbps by Q4

2001. In January 2001, the company raised the Internet speed at the Hanoi gateway by an extra 10 Mbps and 8.0 Mbps at the HCMC gateway, thus increasing the total capacity of the transmission line in the country to 42 Mbps. VDC has also installed computers with Internet access at communal post offices in a number of provinces to provide e-mail service. (January 15, 2001)

The **Vietnam General Department of Post and Telecommunications** announced that Vietnam had 120,000 Internet subscribers in 2000 compared with 44,000 subscribers in 1999. **The Vietnam Data Communication Company** served 76,500 subscribers or 63% of the total, the **Company for Financing and Promoting Technology (FPT)**, 30,300, **Netnam**, 5,700, and **Sai Gon Postel**, 8,700. (January 20, 2001)

made systems or total solutions to brokers, and financial portal companies focused on providing a common trading portal and platform to brokers as well as content to investors. There are less than 20 online brokerage enablers in China, of which 10 are key players. Most online brokerage enablers are located in and focus on the major cities of Beijing, Guangzhou, Shanghai and Shenzhen, where investors are concentrated. Constant repositioning is seen among these players as they respond to dynamic market and regulatory conditions and continue to improve their technology and system capacity. BDA expects the online brokerage enablement industry in China to continue to grow as the level of online trading activity increases. BDA advised Reuters on the HK online stock brokerage solutions JV between its subsidiary, afe Solutions, and Systex of Taiwan.

The following paragraphs outline a group of selected Chinese online brokerage enablers.

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## FOCUS

### Online stock brokerage enablers in China

**Market Overview:** China's online brokerage industry is still relatively fragmented compared to the more developed Asian countries, but has seen dramatic growth in the two years of its short existence. Of the 20 million stock investors in China, only 1% trade online, with the remainder trading over the telephone or at the branch. Regulations restrict online trading, however most brokerage houses are investing in online trading solutions in order to prepare for the dramatic growth, which is expected. The growth will be driven by improving network and security infrastructure, foreign competition brought in by the WTO agreement, continued consolidation in the traditional brokerage industry, the introduction of straight through processing on the exchanges, and selective relaxation of regulations governing online and traditional broking. Most brokerage firms outsource their online trading applications to IT companies or seek technical support from ASPs. The two major types of enablers are traditional software development and systems integration companies, focused on providing tailor-

### China Beacon E-financial Services

**Background:** Funded by the Beijing Venture Capital Fund and Daiying Group of Beijing, China Beacon was established in 1997 as a provider of stock analysis and trading system services. It is also the operator of [www.kangxi.com.cn](http://www.kangxi.com.cn), one of the biggest securities websites in North China.

**Products and services:** It provides stock analysis software and online trading systems to brokerage houses. Its operating site offers market news and stock analysis to individual investors who can also trade and manage their accounts online. It also offers co-branded software developed by China Beacon and China Securities. China Beacon aims to become an integrated online financial services provider.

### Homeway Information Technology

**Background:** Homeway is an Internet services and financial information services provider founded by SEEC (Stock Exchange Executive Council) in 1995. Softbank and South China Morning Post are also investors. It is a subsidiary of ChinaWeb and has seven branches in China. It operates a site, [www.homeway.com.cn](http://www.homeway.com.cn) with 600,000 registered users.

**Products and services:** Homeway provides online trading platforms to investors and brokerage houses. Backed by SEEC, an issuer of several official financial publications, Homeway also provides market news and other financial information.

### Hangzhou Handsome Information Technology

**Background:** Hangzhou Handsome Information Technology was established in 1998 to provide online trading systems. The company is wholly owned by Hangzhou Electronics.

**Products and services:** Hangzhou Handsome provides software and online securities trading systems. It has developed an "online virtual brokerage office", and an online integrated securities service platform operated through PC, WAP, STK, WEBTV, BP, fixed telephone line and PDA. It claims a broad customer base of over 400 brokerage house sales branches. Revenue is generated from initial

installation of trading software and the subsequent upgrading and servicing.

### Shenzhen Prosperity Systems Co Ltd

**Background:** Shenzhen Prosperity Systems was established in 1996 as a Sino-foreign JV. It started as a software systems provider for stockbrokers and has repositioned itself to become an e-solutions consultancy and provider for the securities industry. It operated the Stock2000 site before selling it to Guangdong Securities in mid 2000. Shareholders include Intel, Motorola and the management.

**Products and services:** Shenzhen Prosperity provides end-to-end secure systems between the investors' computer and the brokers' backend computer system. It also develops trading and information websites, as well as development and sales of software systems which facilitate online stock trading for brokers. Clients include over 50 brokerage firms and their 500 sales branches.

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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 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 or Simon Wu in Shanghai.

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