

ASIA IS A BUSINESS IMPERATIVE... NOW MORE THAN EVER

ASIAN TECHNOLOGY NEWSLETTER

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INTRODUCTION

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

BDA is a corporate finance and advisory firm, which assists multinational clients to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs and restructuring. We have offices and professional staff throughout Asia, and in the US and Europe.

If you think that BDA's services may be useful to you, please contact us at any one of our offices or email me at ahuntley@bdallc.com. Contact details for our offices are at the back of this newsletter. We look forward to speaking with you in the future.

Andrew Huntley
Managing Director

CHINA

AMD announced an agreement to license its x86 Geode microprocessor design technology to the Chinese Ministry of Science and Technology and Peking University. The ministry will facilitate discussions between AMD and Chinese companies that have access to AMD technology licenses, including PC maker **Lenovo Group**. The partnership is part of AMD's push to enter the Chinese market. (October 24, 2005)

Arrow Asia Pac announced an exclusive partnership agreement for Greater China with Taiwan-based **Chanceux Co**, to provide Voice over Internet protocol (VoIP) phone over WLAN solutions. Arrow Asia Pac is the Asia Pacific subsidiary of Arrow Electronics listed on NYSE. Chanceux is a software and hardware design house and system integration services provider. (September 25, 2005)

Chunghwa Picture Tubes (CPT) signed an agreement to take an approximate 33% stake in one of China's top TV makers, **Xiamen Overseas Chinese Electronics (Xoceco)** for US\$36m to US\$48m, which will make CPT the biggest shareholder of Xoceco. CPT is a major global display device manufacturer based in Taiwan. The deal is expected to help absorb CPT's LCD panel capacity, and to ensure a stable supply of panels for Xoceco. (November 15, 2005)

Cisco signed an agreement with **ZTE Corporation** to work together in the joint solutions of NGN, 3G and data technologies, to develop business opportunities in the telecommunications market

in China and the Asia Pacific region excluding Japan. ZTE is a major Chinese telecommunication equipment manufacturer. (November 22, 2005)

Henkel, the German consumer products and chemicals manufacturer, acquired a majority stake in **Huawei Electronics**, a Chinese manufacturer of epoxy molding compounds for semiconductors. The acquisition will provide Henkel with a platform to expand and strengthen its electronics related business in China. (November 7, 2005)

Intelsat and **APT Satellite Co** signed a strategic cooperation agreement to market each other's satellite capacity and ground resources and provide broadcast and telecommunications services to the Asia Pacific region. APT is a Hong Kong-based company that provides services including satellite transponders, satellite communication and satellite TV broadcasting. The move will allow Intelsat to access the Asia Pacific market through APT's two newly launched satellites. (December 5, 2005)

Intrinsa, a US-based network-centric IP storage solution provider, announced a strategic partnership with **Huawei-3Com** (H3C), a networking and equipment manufacturer based in China, to co-develop IP SAN solutions. The products will be marketed under the H3C brand. H3C is a JV between China's major telecommunication manufacturer Huawei and 3Com. (October 20, 2005)

Legrand, a French low voltage power distribution and products manufacturer, will acquire two business units from China **TCL Group** for US\$209m, including TCL International Electrical and TCL Building Technology. Legrand will continue to use the current TCL brands after the transaction. (December 12, 2005)

Micron Technology a maker of DRAM and flash components, signed an agreement to build a new plant in Xi'an, western China. The facility will cover chip module packaging and testing. The initial investment will be US\$80m. Micron will add R&D functions to the plant later, raising the total investment to US\$250m. (September 16, 2005)

Microsoft and **Satyam** announced that they have entered into an MOU to jointly develop a multi-billion dollar Enterprise Solution market on the Microsoft platform in the Greater China region, leveraging products from Microsoft alongside solutions and services from Satyam. Satyam is a NYSE-listed consulting and IT services company based in India. (November 14, 2005)

New Medium Enterprises (NME), a UK-based software developer, signed an agreement to acquire a 69% stake in **Beijing E-World**, a Chinese EVD (Enhanced Versatile Disc) developer, for a combination of cash and stock amounting to US\$13m. In exchange, E-World will hold a 40% stake in NME. A JV named NME-World will be formed in 2006. (November 8, 2005)

Nokia announced a plan to set up a US\$111m JV with **China Putian**. Nokia will have a 49% stake in the JV, while the JV's products will be marketed under the Chinese company's *Potevio* brand. Through the JV Nokia positions itself to win a share of the anticipated US\$10bn spending on China's 3G mobile networks. Nokia will gain access to the China TD-SCDMA technology standard developed by Putian while contributing its expertise in WCDMA. (October 14, 2005)

NTT DoCoMo, the Japanese mobile operator, announced that it will acquire a stake in **Just In Mobile**, a Chinese mobile payment service provider, for US\$6m. It aims to improve Just In Mobile's services in China by applying its experience of the global mobile market. (December 12, 2005)

Sagem Communication, the French mobile phone producer, signed an agreement with Ningbo Bird to build a new JV dedicated to R&D and manufacture of mobile phones in China. Ningbo Bird is a leading mobile phone maker in China. Each company will hold a 50% stake in the JV which will involve a US\$6m investment. (December 2, 2005)

Shanda signed an MOU with **Intel** to jointly promote the Shanda EZ Interactive Home Entertainment Solution. Shanda is a major

Chinese online game operator. Based on the MOU, Shanda's EZ solution will be one of the preferred software solutions for Intel's new generation digital home platform. (October 28, 2005)

Sharp took control of **Nanjing Sharp**, a JV it had formed in 1996 with Nanjing Panda Electronics, by buying an 8.7% stake held by its partner for US\$10m. It will position Nanjing Sharp as Sharp's base for expanding LCD television sales in China. (October 19, 2005)

Sun New Media (SNMI), a Canada-based integrated B2B marketing services company, signed an agreement to acquire **Focus Channel**, a Chinese provider of internet based channel management software solutions, for US\$62m. Through the acquisition, SNMI will expand its service offerings to include both interactive marketing solutions and logistical and technical coordination solutions. (November 22, 2005)

Telstra Corp, Australia's biggest telephone company, agreed to merge its Hong Kong mobile phone unit **CSL** with **New World**, and may sell the business in an IPO. The combined company, named CSL New World Mobility Ltd, will be the biggest mobile phone operator in Hong Kong with a 34% market share. Telstra will own 76.4% of the new company. (December 9, 2005)

Toppan Printing, the Japanese printing giant, signed an agreement with **SMIC**, a major Chinese IC foundry, to form a JV in Shanghai. The JV will be the first in China to produce and sell color filter chips and microscope products used on graphic sensors. (December 6, 2005)

Cisco customers, US\$100m to be put in as VC to invest in Indian start ups, and another US\$100m in customer support operations. (October 19, 2005)

Flextronics, a global Electronics Manufacturing Services provider, signed an MOU with the government of Tamil Nadu to build an industrial park in Chennai, thus expanding its existing operations in India. (October 10, 2005)

Hon Hai Group announced its plan to build a mobile handset manufacturing factory in India via its handset affiliate **Foxconn**, as part of its strategy to be the world's largest contract manufacturer of mobile phones and to enter the Indian market. The investment in the plant will be around US\$1bn. (November 30, 2005)

Intel announced its plan to invest over US\$1bn in India in the near future. The investment will include a US\$250m investment in a VC fund geared toward IT, and another US\$800m over the next five years to expand its operations in the country, including its Bangalore R&D center. (December 7, 2005)

IONA Technologies, a major US-based player in high-performance integration solutions for mission-critical IT environments, signed a wide-ranging technology, marketing and sales agreement with **Satyam**. (October 14, 2005)

ISG Nova Soft, an Indian enterprise application management company and part of the US\$2bn **KK Birla group**, entered in to a strategic alliance with **SAP India** to leverage SAP's capabilities in its focus areas of discrete and continuous manufacturing companies in large scale and mid market segments. (December 2, 2005)

IBM announced its plan to acquire the entire equity of **Network Solutions**, a leading infrastructure services company in India. The acquisition will enable IBM to consolidate its presence in the Indian domestic services market by strengthening its services capabilities in the area of infrastructure services solutions for the enterprise and mid-market business segments. (November 8, 2005)

INDIA

Cisco announced its plan to invest US\$1.1bn in India, including US\$750m to strengthen the company's R&D activities, including developing its R&D center in Bangalore, US\$150m to be invested on providing leading and financial solutions to

Mahindra-British Telecom (MBT), the Indian provider of solutions for telecommunication applications, acquired **Axes Technologies**, a US telecommunication solutions provider, for US\$54m. MBT is a JV between **British Telecom** and **Mahindra & Mahindra**, an Indian automobile manufacturer. (November 16, 2005)

Mercury Interactive Corporation, a major player in business technology optimization (BTO) software, announced an alliance with **Tata Consultancy Services** (TCS) to sell Mercury BTO software in India. TCS is a leading Indian information technology consulting, services and BPO organization. The alliance will enable TCS to include Mercury's products as part of its enterprise solution offerings in the Indian market. (September 28, 2005)

Microsoft announced its plan to invest US\$1.7bn in India over the next four years. Much of the investment will go toward improving the company's R&D capabilities, including the creation of a new facility in Bangalore. (December 7, 2005)

Red Hat, a major Linux software developer, announced its plan to invest US\$20m in India over the next several years as it expands in the fast-growing market for software. It plans to focus on local state governments and educational institutions to expand operations. (December 9, 2005)

Samsung announced that it would invest US\$15m to set up a mobile handset plant in India to expand its market share in the market. The plant is planned to open by the end of the first quarter of 2006 with an initial capacity of one million units a year. (December 9, 2005)

Tata Consultancy Services (TCS) acquired Sydney-based **Financial Network Services** (FNS), an Australian core banking solutions vendor, for approximately US\$26m. The acquisition will strengthen TCS's portfolio of banking and financial services products and help broaden its range of solutions for the global banking industry. (October 21, 2005)

Vodafone Group, the world's largest mobile phone company, acquired a 10% stake in Indian market leader **Bharti Tele-Ventures Ltd** for US\$1.5bn. Bharti's AirTel brand is one of just three Indian networks with a national footprint. Currently, its network covers 30% of the population in India. The acquisition provides Vodafone access to the third-largest mobile market in Asia, after Japan and China. (October 28, 2005)

JAPAN

Cambridge Display Technology (CDT) will form a JV called Sumation with **Sumitomo** to develop and supply PLED (polymer organic light-emitting diode) materials and formulated inks for use in commercial PLED display and lighting applications. Sumation will be based in Tokyo with R&D in Japan and the UK and production will be carried out on behalf of Sumation by Sumitomo in Japan. (October 19, 2005)

Cartesis, a major business performance management (BPM) software company, announced a partnership agreement with Japanese consolidated accounting system developer **Diva Corporation**. Diva will conduct Japanese localization of Cartesis ES Planning and provide marketing, distribution and maintenance services in Japan. (December 12, 2005)

Electronic Data Systems (EDS) signed a global technology alliance agreement with **Fujitsu**. Fujitsu will provide EDS with high-performance computing platforms to be incorporated into EDS solutions, which will then be available to enterprise customers worldwide beginning with North America. (November 4, 2005)

Livedoor, a listed Japanese internet service provider, acquired **Innovation Interactive** for US\$80m. Innovation Interactive is a US web-based advertising firm. The acquisition enables Livedoor to use Innovation Interactive's technology and expand its internet-based advertising business to the international market. (November 18, 2005)

Philips and **NEC** signed an MOU to form a JV in enterprise communications. The JV will be formed upon completion of a transaction wherein NEC will obtain a majority share in Philips' Business Communication Unit. NEC will hold a 60% share in the JV to be named NEC Philips Unified Solutions. (November 29, 2005)

Sony signed an agreement to acquire **SN Systems**, a UK-based software company that produces industry standard development tools. Sony will use SN Systems' products in its game content development process. (September 27, 2005)

Thomson signed an agreement with **Canopus**, a Japan-based high-definition video-editing software developer, to acquire 33% of its outstanding shares for US\$107m. The move will strengthen the French group's TV and film production equipment business. (Dec 5, 2005)

Unisys, a US-based IT services and software company, announced an alliance with **NEC** to develop a new line of Intel-based servers. NEC and Unisys plan to collaborate on the design and development of a server platform. They will also cooperate on security systems, combining NEC's fingerprint, palm print and facial recognition systems with Unisys' expertise in selling such solutions to the airline, federal government and financial services sectors. (October 26, 2005)

Xilinx entered into a joint development agreement for next-generation 65nm-generation FPGAs with **Toshiba**, which has resulted in successful production of 65nm FPGA prototype wafers, including actual programmable logic circuitries. Xilinx is a major global supplier of programmable logic solutions. The achievement will lead to an expanded strategic foundry relationship. (December 5, 2005)

KOREA

CyberHome Entertainment (formerly named Protop Innotech), a major DVD player and recorder producer in Taiwan, acquired **Starcom**, a Korean maker of pick-up heads used mainly in DVD recorders, to enhance its captive supply of key components. (October 25, 2005)

Nortel and **LG Electronics** signed an agreement to form a JV that will offer telecom and networking solutions in South Korea. The entity will combine the telecommunication infrastructure business of LG Electronics and the distribution and service business of Nortel in South Korea. Nortel will own a 51% share in the JV and pay US\$145m and other non-monetary considerations. Separately, LG Electronics may be entitled to other payments over a two-year period based on the JV's performance. (November 2, 2005)

OKI Printing Solutions, a Japan-based color printer maker, established a subsidiary in Korea, signaling its move into Korean market. It plans to achieve a 20% share of the color page printer market in Korea. (October 28, 2005)

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MALAYSIA / INDONESIA / PHILIPPINES

Flextronics announced it will acquire the Malaysia CMOS image sensor plant from **Advanced Semiconductor Engineering (ASE)** for US\$18.7m. It follows Flextronics' plan to deploy in-house CMOS sensor production after it acquired Agilent's handset camera-module business. Agilent is ASE's biggest customer. (October 11, 2005)

SatCom Group, a listed UK reseller of mobile satellite communications, signed an agreement to acquire **Horizon Mobile Communications**, a Thai supplier of mobile satellite communications and integrated IT solutions, for a maximum consideration of US\$5.6m. The acquisition is in line with SatCom's strategy of expanding into the commercial shipping market. (September 26, 2005)

Telecom Italia, an Italian communications player, signed an agreement with **Telkom Indonesia**, the country's state controlled fixed phone-line operator, to provide technical know-how and cooperation on international free numbers, mobile services, Internet Protocol and pre-paid international telephone cards. (October 4, 2005)

Tele Tech Holdings, a major provider of customer management and BPO services company based in California, announced the acquisition of **Fin Source**, an emerging BPO company in the Philippines. Fin Source provides end-to-end BPO solutions for major financial services institutions. (November 21, 2005)

QATAR

Cisco and **Qatar Telecom (Qtel)** entered into a long term partnership to formulate an integrated IP strategy, in support of the construction of the country's gigabyte-speed e-infrastructure. Qtel is the only telecommunications provider in Qatar. (October 3, 2005)

Siemens AG signed a JV agreement with **Qatar Investment and Projects Development Holding Company** to establish a new company called Siemens WLL Company Qatar. The JV will management Siemens' sales in the country and provide local customer support. It is the first JV in Qatar with a western company that is not in the oil or gas industry. (December 5, 2005)

SINGAPORE

United Test and Assembly Center (UTAC), a Singapore-listed provider of semiconductor assembly and testing services, will form a JV with **Nepes Corporation** of Korea to build a US\$30m semiconductor wafer bumping facility in Singapore, in which Nepes will own a 67% stake. Nepes is the only bumping foundry service provider in Korea. (October 4, 2005)

TAIWAN

Arrow Electronics announced the successful completion of its cash tender offer for Taiwan-based **Ultra Source**. Arrow will acquire 70% of Ultra Source's common shares for US\$62.5m. Ultra Source is one of the leading electronic components

distributors in Taiwan with substantial sales in China. (December 2, 2005)

Asustek, a major manufacturer of computer motherboards, announced its plan to acquire **Askey**, a wireless local area network equipment maker, through a 100% share-swap. Askey is the world's biggest ADSL modem maker and second biggest cable modem maker, while Asustek is the world's third biggest cable modem maker. (October 6, 2005)

Chisso has started building a liquid crystal plant in Taiwan which will start production in 2007. The plant will overtake Chisso's Japan production base to become the company's top liquid crystal production base. Chisso is the second largest liquid crystal manufacturer in the world after Merck KGaA. (December 7, 2005)

Meanwhile, **Merck Display Technologies**, a subsidiary of Germany-based **Merck KGaA**, a leading liquid crystal supplier, will open its production facility in Taiwan. The facility will be the first in Taiwan to produce liquid crystal mixtures and the third center for Merck in Asia. The facility will focus on serving the Taiwanese LCD industry. (December 1, 2005)

Elitegroup Computer Systems (ECS), a major computer motherboard maker in Taiwan, announced a strategic alliance with Taiwan home appliance maker **Tatung**. Tatung will become the biggest shareholder of ECS with 30% stake while ECS will take over Tatung's desktop PC segment. (October 8, 2005)

Foxconn Electronics, also named **Hon Hai**, acquired an 11.5% stake in **CyberTAN Technology**, a major ODM/OEM home networking equipment manufacturer in Taiwan, for US\$11m. The deal will help Foxconn further expand its ties with two of its major clients, Cisco and Sony. (November 11, 2005)

Philips announced its plan to merge its mobile display operations with **Toppoly**, a Taiwanese display maker. Toppoly will issue 740m new shares to acquire the Philips unit, which will be renamed

TPO. Philips will book a US\$82m charge for the deal. After the completion in the first half of next year, Philips will hold a 17.5% stake in the company. **Compal Electronics**, the world's second-largest notebook manufacturer and a large maker of handsets, will remain TPO's largest shareholder with a 25.1% stake. The stake of **Uni President**, another founding shareholder of Toppoly, which has sought to divest since last year, will be diluted to 3.5%. Philips will be able to secure panel supplies through the deal. (November 11, 2005)

Qualcomm signed a definitive agreement with **Asia Pacific Broadband Wireless Communication (APBW)** to commercially launch wireless data service in Taiwan based on Qualcomm's BREW solution. Listed on Nasdaq, Qualcomm is a major developer of digital wireless communication products and services based on CDMA technology. APBW is Taiwan's first 3G broadband wireless service provider. (October 25, 2005)

UNITED ARAB EMIRATES

eCompany, the e-business unit of **Etisalat** announced a strategic alliance with the Middle East and North Africa operations of **Avaya**, a global provider of business communication applications, systems and services, to provide communication solutions for enterprise customers in the UAE as integrated solution partners. Etisalat is a major telecommunication service provider in UAE. (October 10, 2005)

LSI Logic announced its plan to establish a semiconductor design and engineering development center in **Dubai Silicon Oasis (DSO)**. The center will focus on the design of high performance consumer electronics solutions. LSI Logic is a leading provider of silicon to systems capabilities for the consumer electronics, storage and custom solutions markets. DSO is a strategic initiative of

the Dubai government to build a global microelectronics technology park providing turnkey design and development facilities to the electronics industry. (September 30, 2005)

Tecom, a UAE telecommunication operator and a member of **Dubai Holding** signed a strategic agreement with **Interoute**, a UK-based owner and operator of a global voice and data network. Dubai Holding will take a stake in Interoute for over US\$146m. It is part of Tecom's plan for international expansion in the telecommunication sector. (November 1, 2005)

VIETNAM

Mitac started the construction of a new production facility in Vietnam for manufacturing consumer electronics including printers, digital cameras, DVD players, mobile phones. Mitac is a major global consumer electronics OEM/ODM based in Taiwan. The new plant is the company's third largest vertically integrated manufacturing facility and represents a US\$15m investment. (October 26, 2005)

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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 the offices below.

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