

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

ASIAN TECHNOLOGY NEWSLETTER

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CONTENTS

INTRODUCTION	1
CHINA/HK	1
INDIA	2
JAPAN	2
KOREA	3
MALAYSIA	4
SINGAPORE	4
TAIWAN	5
THAILAND	5
VIETNAM	5

CHINA/HK

AOL Time Warner announced that it will form a US\$200m JV with **Legend Holdings**, a PC maker in China. The JV will be 51%-owned by Legend and 49% by AOL Time Warner and it will provide consumer Internet services in China, with each group pledging to commit \$100m over time. While it has bolder aspirations if rules ease, the venture will initially provide technical support and services to Legend's portal and internet service provider, FM365, abiding by China's ban on foreign ownership of content providers. The tie-up intends to leverage Legend's dominance of the mainland's fast-growing consumer PC market with the experience of AOL's America Online service, which claims more than 29 million members in 17 countries. (June 11, 2001)

AsiaInfo Holdings, a Nasdaq-listed software company, has won two contracts to support the building of **China Telecom's** broadband networks in Heilongjiang and Shandong provinces. The initial phase contracts are valued at more than US\$2m in total, 68% of which is for software and services. AsiaInfo will provide billing and customer software and network management software to **Heilongjiang Telecom** and **Shandong Telecom** for their newly deployed broadband network and services. (July 27, 2001)

China Unicom Group, a wireless operator in China, signed a contract for US\$1.46bn worth of CDMA equipment. CDMA technology has not been previously used in China as most of the wireless phones in China currently operate on the rival European-backed GSM standard. Chinese President

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 middle market acquisitions and JVs in Asia. BDA has offices in New York, London, Shanghai, Tokyo, Hong Kong, and Singapore and specifically focuses on the technology industry.

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Andrew Huntley
Managing Director

Jiang Zemin recently commented that CDMA will increase competition, apparently signaling the go-ahead for Unicom's contract signing. Unicom plans to have CDMA networks running by end of 2001, with a total capacity for 15.2 million users. The company also plans to expand the network to 50 million users over five years. China currently has approximately 100 million GSM users. Unicom's agreement included contracts with **Lucent Technologies, Motorola, Nortel Networks, Ericsson, Samsung Electronics**, and five Chinese equipment suppliers. (June 25, 2001)

The Ministry of Information Industry of China announced that it will invest approximately RMB100bn (US\$12.09bn) in the next five years in development of basic electronics products and IT. Basic electronics products include new types of display devices, electronics components and devices, special equipment and instruments. To encourage the development of these products, the state will grant preferential treatment in taxation, investment and bank loans. (July 23, 2001)

INDIA

BPL Communications and **Birla-AT&T-Tata**, two Indian mobile phone giants, announced that they plan to merge to create the country's largest cellular company, valued at US\$2bn. The merged entity will have approximately one million subscribers, a quarter of the current number of cellular phone users in India. The new company will overtake Hong Kong's **Hutchison Telecom** as the leader in India's Rup30bn (US\$638m) cellular phone market. Birla-AT&T-Tata is a JV between US telecoms giant **AT&T** and two of India's biggest conglomerates, **the Tata and Birla groups**. **France Telecom** holds a 26% stake in **BPL Mobile Communications** while **MediaOne**, a US company acquired by AT&T in 2000, holds a 49%

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stake in **BPL Cellular**. (June 28, 2001)

Wipro Infotech, a Bangalore-based Internet company, officially launched its Asia Pacific headquarters in Singapore. Its Singapore operations will be serving markets in Australia, Indonesia, Malaysia, New Zealand, the Philippines, Taiwan, Thailand and Vietnam. Wipro Ltd currently has offices in Australia, Singapore and Taiwan. The company also plans to extend its operations to China in the second phase of its Asia Pacific rollout. (July 24, 2001)

JAPAN

eBank, a Japanese Internet bank, announced that it will work with **Yahoo Japan Corp** to build its customer base. eBank is a JV of **Japan Telecom Co, Itochu Corp** and others. Yahoo Japan has invested about ¥200m (US\$1.6m) in eBank. eBank will advertise on the Yahoo site and Yahoo will use eBank's services to receive payments when it begins web-based music distribution and other online services. The Internet bank aims to have 1.5 million depositors in three years and hopes to earn 90% of its profits from fee-based business. (July 19, 2001)

Furukawa Electric Co, a Japanese electrical company, has agreed to acquire **Lucent Technologies Inc's** fiber-optic solutions operations for ¥340bn (US\$2.75bn), to make it the world's second-largest optical fiber manufacturer. The deal is scheduled to be completed by September 30, 2001. Furukawa Electric will gain access to Lucent's 11 fiber-optic plants as well marketing rights in Asia, Europe and US. It will set up a JV with **CommScope Inc**, a US-based manufacturer of coaxial cable products, and transfer a majority of the purchased fiber-optic business to the venture. (July 24, 2001)

Hitachi Ltd, a Japanese electronics conglomerate, and **IBM Japan Ltd** announced that they will form an alliance in the systems integration business, targeting local municipalities seeking to go online. Under a

licensing agreement, Hitachi will provide IBM Japan with core software and related technologies that will allow residents to lodge all kinds of local government applications and registrations over the Internet. The pair will commercialize the system under separate names for sale next summer. They hope the time and cost savings gained from sharing core software will help them win more systems integration contracts. (July 28, 2001)

KDDI Corp, Japan's second largest telecommunications carrier, announced that it has agreed on a tie-up with **Williams Communications Group Inc**, the US high-speed network operator. The company said the alliance is an extension of a deal signed in 2000 between Williams and former state long-distance calling monopoly **KDD**, which merged with **DDI Corp** and **Ido Corp** in 2000 to form KDDI. Williams has 25,000 feet of fiber-optic networks in the US and is the largest wholesaler of telecoms lines there. KDDI is the only Japanese carrier without a capital tie-up with a foreign carrier. (July 17, 2001)

Matsushita Electric Industrial Co Ltd, a Japanese electronic appliances company, announced that it has agreed to collaborate with **Leica Camera AG** of Germany in digital still cameras. Two companies will jointly develop digital still cameras for release this autumn, utilizing Leica's optical lens units. Matsushita is known for its Panasonic brand goods and is a minor player in the digital camera market, in which rival **Sony Corp** holds a sizable share. The company aims to use the tie-up to gain a 10% share of a forecast 29 million unit digital camera market by 2003. (July 24, 2001)

NTT DoCoMo of Japan announced that it will increase its stake in Taiwan's **KG Telecom**, purchasing approximately US\$56m in new shares from the carrier. KG Telecom operates a GSM mobile network, and is the third largest carrier in Taiwan. This move will boost DoCoMo's 20% holding in KG and will make KG Telecom the first Taiwanese carrier to roll-out GPRS services. KG and DoCoMo will enter a licensing deal to introduce the services, expected to roll-out on a next-generation GPRS network in mid 2002. (June 19, 2001)

KOREA

Samsung Electronics Co of Korea has formed a strategic alliance with **AOL-Time Warner Inc**, the world's largest media group, for the supply of digital equipment. Samsung will supply AOL-Time Warner with digital television set-top boxes and secure advertising space from Time magazine, the cable stations CNN and TNT and other media outlets controlled by the US-based firm. Samsung also plans to work closely with AOL-Time Warner in cell phone operations and the development of new products linking Samsung's home network products. AOL Time Warner boasts 23 million US subscribers and 29 million members worldwide. (July 18, 2001)

BIT Computer, a South Korean IT company, announced that it will provide cyber education to North Korean officials through an Internet site from August 2001 and also plans to set up PC rooms at the North's Korea Computer Center to allow Internet access to foreign and South Korean visitors to Pyongyang. BIT Computer agreed with North Korean officials to set up related systems at the Korea Computer Center within three months after a visit by BIT to Pyongyang. The center will be able to get Internet access via Korea Satellite-3 connected to **Korea Telecom (KT)** in the South. KT would then send the signals back to Seoul's BIT Computer headquarters. In return, BIT will be granted the opportunity of becoming the sole supplier of satellite Internet equipment to the North Korea for the next five years. (June 28, 2001)

IBM of US has signed a deal to provide what will be one of the ten largest supercomputers. The company announced that it will build a supercomputer capable of 4.24 trillion calculations per second for the **Korea Institute of Science, Technology and Information**. Under the agreement, worth US\$27m, IBM will begin installing the machine in late 2001 and finish by early 2003. IBM is the dominant supercomputer maker, and its ASCI White nuclear

weapons simulation machine tops the list of the world's fastest. (July 23, 2001)

MALAYSIA

Alliance Bank Malaysia Berhad launched its e-banking portal, **Alliance Online**. The company aims to grow its online banking customer base by 150% in 2001 through its newly launched portal. The bank has 10,000 personal and business customers using its online platform and expects that figure to grow to 25,000. Services under Alliance Online include Alliance Online Personal, Alliance Online Business and Alliance Online Desktop Trading (DST). (July 25, 2001)

Maxis Communications Bhd, a mobile phone services operator in Malaysia, plans to sell a 30% stake to **Singapore Telecommunications**. Maxis is likely to issue new shares to SingTel in a deal worth up to RM2.3bn (US\$605m). Maxis is also planning to take over a 30% stake in rival Time dotCom for about RM2bn (US\$526m). Speculation has been rife in recent weeks that Maxis was looking to tie up with Singtel and they conducted due diligence on selling a stake to Singtel. (July 23, 2001)

SINGAPORE

Horizon.com Ltd, an online solutions provider in Singapore, announced that it has acquired a 100% stake in **Lumiere Investments Pte Ltd** of Singapore for a total of S\$1.24m (US\$700,000). Lumiere Investments Pte Ltd was incorporated in 2001 by **Pex.com Pte Ltd**, a former subsidiary of Horizon that designs applications for building portals. Under the agreement, Horizon was required to pay S\$170,520 (US\$100,000) in cash for the investment company

and return its entire 51% stake in Pex, worth approximately S\$1.07m (US\$600,000), to Pex's original founders. Separately, Horizon.com noted that it expects to get the green light for its proposed S\$8.97m (US\$5m) in cash, assets and new shares for the acquisition of **Postkid.com Pte Ltd**, a Singapore e-learning portal. Horizon paid S\$2m (US\$1.1m) for 54.7% in Postkid in 2000, and aims to acquire the remaining 45.3% stake. (July 24, 2001)

Lam Research Corp, a US-based wafer fabrication-equipment supplier, has opened a sales office and training center in Singapore. The company will invest up to S\$15m (US\$8.3m), over the next three years. Besides providing engineering services, such as technical support, maintenance and installation, the US\$2.8m center will serve as a regional training center, and will impart processing knowledge and technology to wafer fabrication companies in Singapore and the Asia Pacific region. (June 25, 2001)

Nextec Applications Inc, a US-based advanced materials manufacturer, announced an opening of a new facility in Singapore. The facility will allow Nextec to support worldwide distribution of its patented encapsulation products. It also plans to open plants in Japan and Europe. The Nextec process has applications for performance gear and outerwear, medical and protective clothing, industrial composites and electronics. (July 24, 2001)

Singapore Airlines (SIA) announced that it will invest over S\$6m (US\$3.3m) in advanced scheduling technology and sophisticated forecasting techniques to better optimize aircraft utilization. The new system software will allow SIA to manage and optimize flight connections at each airport to reduce connection time for passengers. By using the network management system, aircraft resources can be gainfully deployed on emerging markets and readily adapted to seasonal variations. These will help SIA satisfy passenger demand and improve profitability. (July 23, 2001)

ST Assembly Test Services (Stats) of Singapore announced that it has bought 51% of Taiwanese micro-chip tester **Winstek Semiconductor** for

US\$28m. Up until this deal, Stats had no manufacturing operations outside of Singapore. The acquisition will raise Stats' testing capacity by 5% to 8%. It also gives Stats a foothold in Taiwan, where **Taiwan Semiconductor Manufacturing Co** and **United Microelectronics Corp**, the biggest wafer foundries are located. (July 29, 2001)

TAIWAN

Macronix International Co, a supplier of non-volatile memory in Taiwan, will invest NT\$207bn (US\$5.9bn) to set up two 12-inch chip plants at the Hsinchu Science-based Industrial Park in northern Taiwan. Macronix expects the land requisition, factory construction and the installation of production facilities to be completed within two to three years. The local investment was in line with a strategy to concentrate on Taiwan operations for five years, in which time management may spend no more than 20% of net assets on investments in mainland China. (July 24, 2001)

Nine cable network operators in six regions of central Taiwan have pooled NT\$16bn (US\$459m) in capital to form **the Taiwan Infrastructure Network Provider Group (TINP)** in a bid to improve and expand value added services in multiple broadband communications. The participants are: **Beikang Cable Network, Chialien Cable Network, Chungtou Cable Network, Hsihshin Cable Network, Santa Cable Network, Taiping Cable Network, Tatun Cable Network** and **the Western Coast Cable Network**. The creation of TINP will allow unified procurement of channels, programs, and materials for network engineering. The group will also lay a shared optical fiber network. (July 24, 2001)

Silicon Storage Technology Inc (SST), a US Flash memory maker, and **Nanya Technology Corp** of Taiwan have entered into a foundry, technology licensing and joint product development agreement. Under this agreement, Nanya will serve as a foundry for SST's 0.25-micron and 0.18-micron flash memory

products based on SST's SuperFlash memory technology. Initial wafer production is expected to begin at the end of 2001 at Nanya's facilities in Taoyuan, Taiwan. Nanya, which is focused on the DRAM production and memory foundry business, will process SuperFlash as the sole nonvolatile memory technology in its factories. (June 25, 2001)

United Microelectronics Corp (UMC) of Taiwan, the world's second-largest contract microchip maker, announced that it has awarded a US\$106m contract to Japanese construction firm **Kajima Corp** to build a microchip plant in Singapore. UMC said that the contract went to Kajima's Southeast Asian unit, **Kajima Overseas Asia Pte Ltd**. The UMC plant in Singapore is a JV with **the Singapore government** and **Infineon Technologies AG** of Germany, and will cost the partners US\$3.6bn. UMC expects to begin moving in production equipment by Q3 of 2002. The plant will use advanced 12-inch silicon wafers, which save costs by yielding more microchips per wafer than the more common eight-inch wafer plants. (July 24 2001)

THAILAND

Nokia has won a contract to supply Thailand's **TelecomAsia Corp** with broadband access technology for the launch of a new high speed Internet service in Bangkok. TelecomAsia Corp is enabled by Nokia's D50e Digital Subscriber LineAccess Multiplexer (DSLAM) network management solutions and implementation services. TelecomAsia provides voice, video, data and web-based applications over an integrated multi-platform network. It has a 2.6 million fixed line network and 1.67 million connected lines in Greater Bangkok. (July 23, 2001)

VIETNAM

Vietnam Electronics Information Corporation, a Vietnamese state-owned bandwidth vendor, tied up with **Marshals' Supersoft Technologies Ltd** of India. Marshals' Supersoft Technologies Ltd plans to tap the South-East Asian countries for software education training. Marshals' Supersoft's initial investment will be approximately US\$1.5m, with both partners bringing in equal amounts and further investment will be made periodically. While the Vietnamese company will provide infrastructure and marketing support, Marshals' will provide education training and formulate the course to be

offered. In Vietnam, the company recently applied for registration with Planning and Investment Department, Government of Vietnam for registration. Marshals' Supersoft Technologies Ltd also plans a foray into Bangladesh, Cambodia, Indonesia, Korea and Myanmar. (July 22, 2001)

Vietnam Post and Telecommunications Corp of Vietnam (VNPT), a state monopoly in Vietnam, announced that it is planning to separate off its money-losing postal services as a move to boost its competitiveness and to deepen its regional economic integration. VNPT will experiment with the separation of the two services in 11 provinces. Five provinces in northern Vietnam, four in the central region and two in the southern part of Vietnam have been picked for the trial. Under the plan, telecommunications will be separated from postal services in all 61 cities and provinces in Vietnam by 2001, and by 2003 VNPT will be formally divided into **Vietnam Postal Corp** and **Vietnam Telecoms Corp**. (July 16, 2001)

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ABOUT BDA

Business Development Asia is a corporate finance advisory firm, which assists multinational companies to expand 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, contact BDA at any of the offices listed below.

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