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ASIAN TECHNOLOGY NEWSLETTER

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

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CHINA/HK

Allcom Technologies Limited, an electronic components distributor in Singapore, and **WPI International (Hong Kong) Ltd**, a subsidiary of Taiwan-listed **World Peace Industrial Co Ltd (WPI)**, have formed a JV company in China, **WPG SCM Ltd**. Allcom will hold a 60% stake in WPG SCM Ltd, while WPI Hong Kong will hold the remaining 40%. Allcom will pay HK\$3m (US\$384,600) cash for the stake in WPG SCM. WPG SCM, which will have a paid up capital of HK\$5m (US\$641,000), will leverage WPI's network of 15 sales offices in China. Allcom Technologies Limited plans to service the global contract electronics manufacturers (CEMs) and OEMs in China, while WPI focuses on servicing the local Chinese and Taiwanese OEMs and CEMs. (December 20, 2001)

Applied Digital Solutions Inc, a US digital technology development company, announced that it has opened a R&D facility in Shenzhen special economic zone near Hong Kong. The new facility will work closely with OEM partners to oversee products of **Digital Angel**, a wholly-owned subsidiary of Applied Digital Solutions, and will carry out R&D for new products for the **Applied Digital Research Group**. It will also serve as a sales and marketing office to tap into the market potential of China and other Asian markets for Digital Angel and other Applied Digital products. The office will coordinate efforts with JV partner, **Shenyang Duouyuan Digital Communications Net Corporation**, a non-exclusive partner in three northeast provinces of China. (January 14, 2002)

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, divestments, JVs and other strategic alliances in Asia.

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

Andrew Huntley
Managing Director

Hitachi of Japan plans to establish a systems integration company in China in a bid to strengthen its business operations in China's IT market. The new company will be provisionally named **Hitachi Information Systems (Shanghai) Ltd.** It will be a 90-10 JV between **Hitachi Ltd** and **Hitachi (China) Ltd.** In addition to expanding the scale of Hitachi's SI business in China, it plans to provide IT solutions to affiliates of Taiwanese, European, American and Japanese companies and international affiliates of Chinese companies. Hitachi has also agreed to take a 25% share in Hong Kong-based **Computech Holdings Limited**, which provides IT services to financial institutions based in China, for an investment of ¥500m (US\$3.8m). (December 26, 2001)

LG of Korea and **Guangzhou Echon Technology Co Ltd** have established a software JV, **Echon-LG Information System Co Ltd**, in Guangzhou City. Echon-LG Information System Co Ltd will develop software and application solutions for government departments, banks and other sectors. LG has an investment of US\$20m in the JV and has pledged to invest an additional US\$80m. (January 21, 2002)

Motorola (China) Electronics Ltd has signed an agreement to set up a software R&D base of High and New Technology, in Chengdu Industrial Development Zone, Sichuan Province. With an investment of RMB500m (US\$60m) for the first five years, the base will carry out a series of high-tech cooperation projects with local software companies. This is Motorola's third software project in China. (December 5, 2001)

Youngwoo Telecom Co, a Korean telecoms equipment manufacturer, has established a JV with **Ningbo Bird Corp**, a Chinese GMS cellular phone maker. The new firm is founded in Hangzhou, Zhejiang Province, with an initial capital of US\$2m.

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The joint company plans to produce core components of wired and wireless telecommunication equipment for sale in China. Youngwoo Telecom expects sales to reach W20bn (US\$15m) in 2002. (January 21, 2002)

INDIA

Ericsson of Sweden has announced that it has won mobile infrastructure orders worth US\$50m from **BSSL**, a JV between **Hutchison Telecom** of Hong Kong and **Essar**, an Indian conglomerate. Ericsson will provide core switching network infrastructure, radio network and microwave equipment to BSSL to operate GSM services in the southern states of Karnataka, Andhra Pradesh and Chennai. (December 21, 2001)

QualComm of US has announced that it will invest US\$200m for a 4% equity stake in **Reliance Communications Ltd (RCL)** of India. The strategic alliance is formed to support the introduction of next-generation CDMA wireless technology in India. The Qualcomm investment is the largest in basic services in any single telecoms services licensee company in the country. RCL intends to provide basic telephone services, wireless local loop (WLL) with limited mobility and national long distance services in India. (January 11, 2002)

INDONESIA

PT Telkom, a state-run telecommunications company in Indonesia, has announced that it plans to sell some of its shares in **Telkomsel**, Indonesia's largest cellular phone operator, to **Singapore Telecom (Singtel)**. Singtel currently controls 22% of Telkomsel's shares, after officially taking over Dutch company **KPN BV's**

shares in November 2001, at a value of US\$602m. Telkom owns 78% of Telkomsel's shares. The sale of Telkomsel's share will be used to finance new investment, such as the development of networks and the replacement of cable with optic fiber, working capital, and a dividend to the government. Telkomsel had 2.2 million subscribers as of June 2001, accounting for 47% of the market share in Indonesia's cellular phone market. (December 6, 2001)

JAPAN

Cable and Wireless Plc, a London and New York-listed telecommunications group, has, through its subsidiary **Cable & Wireless IDC**, completed the acquisition of **PSINet Japan Inc** from **PSINet Inc** of the US for US\$17m. PSINet Japan provides IP connectivity and web hosting services for corporate customers in Japan. The acquisition is intended to reinforce Cable & Wireless' position in Japan's growing Internet market and accelerate the delivery of its strategy to provide IP and data services to business customers in Japan. The acquisition is expected to double Cable & Wireless's IP revenue in Japan. (January 28, 2002)

Compaq Computer, **KDDI Corp**, **CSK Network Systems Corp**, a Japanese data center company, and **Witnet Co Ltd**, a Korean software developer, have formed a joint business alliance for a wireless remote operating system for mobile devices. The four companies will build a system that enables PDA users to operate PCs in offices using a wireless network. The service for system construction will be offered by Compaq, and ASP service by CSK Network Systems. The system will be launched in late March 2002. (January 24, 2002)

Lastminute.com plc of Britain, one of Europe's largest online travel agencies, has announced that it will set up a Japanese-language website in Japan with local partners, **Kinki Nippon Tourist Co Ltd**, **Mit-**

subishi Corp and **Nippon Travel Agency Co Ltd**, to sell discount holiday packages. The website venture will initially deal in Europe-bound air tickets and hotel bookings for individual customers and will start its operations in April 2002. (January 28, 2002)

Nichia Corp and **Citizen Electronics Corp**, two major electro luminescent material makers, have announced that they plan to tie up in the production and marketing of white light emitting diodes (LEDs). They aim to increase manufacturing and sales of the product to meet the growing demand from cellular phone makers. Nichia will supply the white LED patent to Citizen Electronics, which will make packages for the product at its Fujiyoshida plant in Yamanashi Prefecture. Nichia will receive part of the output for marketing on an OEM basis. (January 9, 2002)

Sony Computer Entertainment (SCE) of Japan will begin a service in April 2002 that allows customers to use the *Yahoo! BB broadband connection service* via *PlayStation 2* game consoles. SCE will team up with the Japanese financial institution **Softbank Corporation**, which offers *Yahoo! BB connection*, to provide the service. The new service will allow the use of a television set for online games and movies via a *PlayStation 2* game console. Sony's collaboration with the Softbank group will be its third with a provider of broadband services, including one with Japan's **NTT Broadband Initiative Inc**. Through the partnerships, Sony aims to compete with **Microsoft Corporation's Xbox** game console. (December 21, 2001)

KOREA

Digital Dream Studio (DDS), a digital entertainment company based in Seoul, has received a 0.5% stake in **THQ**, a NASDAQ-listed video game provider, for W10bn (US \$7.6m). DDS's share is a result of US film maker **Rainbow Studio's** merger with THQ. DDS's original 14% stake in Rainbow Studio was

exchanged for a stake in THQ's new shares. DDS plans to provide a family video game under development with Rainbow Studio. DDS will now have the ability to distribute its video games in the US via THQ and vice versa. (January 8, 2002)

Hynix Semiconductor, a Korean memory chip maker, has divested its entire stake in **Hyundai Syscomm**, a telecommunications equipment manufacturer, to **3R Inc**, a KOSDAQ-listed digital products manufacturer, as part of a restructuring plan. Hynix was Hyundai Syscomm's largest shareholder with an 87% stake. The deal included 40 million Hyundai SysComm shares worth W20bn (US\$15m) and W39bn (US\$30m) for facilities and sales rights. (January 24, 2002)

Hynix Semiconductor, **Semicon Engineering** of Korea, and **Dongfang Electronics** of China jointly launched an STN-LCD maker, named **Hyundai LCD**. Dongfang Electronics will hold a 45% stake in the JV based in Korea, Semicon 35%, Hynix 15% and the staff of Hyundai LCD 5%. Hyundai LCD expects sales of W250bn (US\$190m) in 2002 by focusing its sales on China's STN-LCD market for mobile sets and PDAs. Hynix Semiconductor also plans to set up a production plant in China. (January 15, 2002)

Korea will participate in China's second tender for CDMA equipment in Q1 2002 with mobile telecom equipment based on a *CDMA2000-1x* format. **China Unicom** plans to invite Korean firms to bid for US\$3bn worth of CDMA equipment capable of supporting 20 million lines, an increase of 4.5 million lines from the first CDMA equipment bid held in 2001. If China accepts the 3G equipment, Korean firms will have a competitive advantage over foreign rivals, as they will be the only bidders offering such equipment. (January 14, 2002)

MidasTrade.com, **Korea Computer Network Automation (Korea CAN)**, and the **Bank of New York Clearing Services LLC International Services Division (BNYCSI)** have agreed to

implement an electronic connection and system for Korean securities companies to enable US retail trades by Korean investors. Through this system Korean investors will have the ability to trade US securities from their own trading accounts with immediate execution and confirmation. The **Korean Securities Depository** selected BNYCSI to provide clearance and custody in the US for Korean securities companies executing online US retail trades by Korean investors. (January 18, 2002)

The Ministry of Information and Communication of Korea announced that it will dispose of an 12% stake in **Korea Telecom (KT)** to facilitate privatization and encourage strategic alliances with foreign companies. The 12% stake had been retained by the Korean government because no foreign bidder moved to acquire the shares. (December 17, 2001)

Samsung Electronics of Korea has signed a contract with **Sprint**, a US communications company, for the export of US\$3bn worth of CDMA handsets. *CDMA2000 1x*, PDA-equipped handsets capable of transmitting wireless data and moving pictures, will be exported to the US over the next three years. Sprint, which holds a 15% share in the US communications market, is scheduled to launch a *CDMA2000 1x* service in July 2002. (January 14, 2002)

Samsung SDS, Korea's largest systems integrator, announced that it has formed an alliance with **Digent Co Ltd**, a Korean bio-recognition developer for sales and development of web-based fingerprint solutions and authentication products. Samsung SDS will set up a bio-certification team for the joint project with Digent and will provide engineers and technicians to Digent. The two companies aim to generate W100bn (US\$75m) in accumulated revenue from the new technology by 2005, by focusing on overseas markets. (January 29, 2002)

SLD Telecom, a Korean JV among **Donga Elecom**, **LG Electronics** and **SK Telecom**, has won a license to provide CDMA mobile phone services in

Cambodia. SLD Telecom will provide the mobile telecom services across Cambodia over the next 30 years. Established in April 2000, SLD Telecom is 54% owned by SK Telecom, 44% by LG Electronics and 2% by Donga Elecom. SK Telecom provides mobile telecom services and LG Electronics provides the hardware. SLD Telecom plans to install a CDMA network in Phnom Penh and Cambodia's other major cities by mid 2002 and launch services by end of 2002. (January 24, 2002)

of independent suspension systems for heavy vehicles and provides design and development services for wheeled military and other heavy vehicles. (January 14, 2002)

SINGAPORE

Adroit Innovations Limited, an e-business solutions provider in Singapore, has signed an agreement to sell all its shares in **The Payment Solutions Company Pte Ltd (TPSC)** to **Network for Electronic Transfers (Singapore) Pte Ltd (NETS)**. TPSC is a JV set up by Adroit that provides solutions for internet-based payment gateways. TPSC has an authorized share capital of S\$10m (US\$5m), of which Adroit's shares amount to S\$5m (US\$3m). Completion of the sale is scheduled for January 11, 2002. Adroit had initially intended to develop TPSC into a non-traditional revenue source but decided to refocus on its basic software services capabilities, given recent market developments. (January 1, 2002)

Singapore Technologies Engineering Ltd announced that its wholly-owned subsidiary, **Singapore Technologies Kinetics Ltd**, the land systems arm of Singapore Technologies Engineering Ltd, has acquired a 25% equity stake in Ireland's **Timoney Holdings Limited (THL)** through its wholly-owned subsidiary, **Mobility Systems Pte Ltd (MSPL)** for €5.7m (US\$5m). This investment was a strategic move for ST Kinetics to build up its wheeled vehicle capability and to complement its current technology portfolio in vehicle sub-systems. THL is a provider

TAIWAN

Funai Electric Co Ltd, a video equipment manufacturer in Japan, announced that it will acquire a 2% stake in **Chi Mei Optoelectronics Corp**, a Taiwanese LCD maker, for NT\$648m (US\$18.5m). This is Funai Electric's first acquisition in Taiwan. Funai Electric has been manufacturing LCD modules at its Tsuyama factory in Japan and has integrated video equipment production facilities in China and Malaysia. (January 9, 2002)

Siliconware Precision Industries Co Ltd, a Taiwanese chip packaging and testing services provider, announced that it will acquire a 19% stake in Taiwanese company **Universal Communication Technology Inc (UComm)** for NT\$90m (US\$2.6m). This deal will enable Siliconware Precision Industries to enter the radio-frequency chip testing business. UComm is Taiwan's only radio-frequency chip tester and it offers systems, including testing machines and programs. (January 15, 2002)

Quanta Computer, a notebook manufacturer in Taiwan, and **Taiwan Cellular**, a mobile communications operator, announced that they will form a strategic partnership for the design, manufacture and marketing of cellular phones. Quanta Computer expects to manufacture 500,000 color-screen phones in 2002, which will be marketed by Taiwan Cellular. The new model, *Q285*, will be designed by **Giya**, founded in 2000 with joint funding between these two companies. (January 28, 2002)

VIETNAM

Exim Bank of Vietnam has signed a contract with **Hyundai Information Technology** of Korea to computerize its banking operations. The **World Bank** will fund the US\$2.3m project, which will be executed over 15 months. Upon completion of the project, Exim Bank will be fully computerized in terms of export and import, lending, deposit, fund management, customer service and all other functions with online capabilities. In the bid, Hyundai beat its competitors, including Japan's **Fujitsu**, India's **TATA**, **Singapore Computer System** and **Samsung SDS**. (January 24, 2002)

Vietnamese IT companies will gain easier access to

the US market, and Vietnam-US JVs will be allowed locally in many areas within two to three years. However, US companies will still be restricted in their equity stakes. JVs in basic IT services will be allowed in four years, with US capital contributions limited to a maximum 49%. In the area of fixed telephone services, Vietnam-US JVs will be allowed after six years, also with a 49% ceiling for American capital. (January 9, 2002)

Vietnam Mobile Telecom Services Company (VMS) plans to invest an additional US\$36m into its existing network and to add 146,500 additional subscribers to its customer base by the end of 2002. VMS is an arm of the state-run **Vietnam Posts and Telecommunications (VNPT)** and it aims to generate revenues of VND21tr (US\$1.4bn) in 2002. (January 24, 2002)

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ABOUT BDA

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