

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

ASIAN TECHNOLOGY NEWSLETTER

ISSUE 19, June 2000

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

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CHINA/HK

Asia.com, a subsidiary of **World.com** which is itself a subsidiary of **Mail.com** of the US, has acquired **Lohoo.com**, a **business travel portal**. The portal provides services to business travelers such as hotel and airline ticket reservations, car rentals and conference services. It claims to have over 100,000 members and over 600 affiliated hotels in 80 cities in China. Asia.com's acquisition will allow the company to grow its business by offering travel services through the Internet, WAP and call center services. (May 18, 2000)

Australia and New Zealand Group Ltd (ANZ) has invested US\$8m in Hong Kong-based **boom.com**, Asia's first Internet-accessible **retail securities broker**. The two companies will jointly enable customers to buy and to sell stocks on virtually every exchange in the Asia-Pacific region. ANZ will hold a 10% share of boom.com, while **W. R. Hambrecht & Co**, VC firm **J. F. Shea Ventures**, the Eu family of Hong Kong and boom.com's employee shareholders own the remaining share. ANZ views online brokering as a channel through which it can develop other products and services to serve customers throughout Asia. (May 22, 2000)

Cable & Wireless HKT (CWHKT) and **Hong Kong Post** launched **Websenger**, a commercial **electronic certification service provider**. The new B2B entity will provide a secure communication environment for businesses to transfer sensitive documents like contracts, financial statements and legal documents over the web. It will use SSL technology which is found in Internet browsing software, non-

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 we profile some leading Indian portals and the sector in general.

If you think that BDA's services may be useful to you, please contact me at ahuntley@bdallc.com.

Andrew Huntley
Managing Director

encrypted password authentication, Public Key Infrastructure (PKI) and an e-Cert application developed especially for Websenger. (May 17, 2000)

E-Kong Group has launched an **insurance portal, speedinsure**, through partnerships with **Bank of China's BOC Group Life Assurance Co Ltd, Hong Kong and Shanghai Insurance Co** and **CIGNA International** of the US. The bilingual portal aims to provide Internet users with a range of insurance products including life and travel insurance. It plans to broaden its scope of products to include health, auto, home and office insurance. (May 17, 2000)

Homeseekers.com of the US plans to take a 20% stake in **PP.com The Property Portal! Ltd** of Hong Kong, which has a network of over 100 Chinese property corporations and institutions and offers information on housing related services in English as well as simplified and traditional Chinese. Under the agreement, Homeseekers.com will provide the Hong Kong-based portal with technology to aid in its expansion in China, Hong Kong, Malaysia, Singapore, Taiwan and Thailand. **Pacific Century CyberWorks (PCCW)** of Hong Kong holds a 25% stake in PP.com. (May 18, 2000)

Intel Corporation of the US and **Cable & Wireless HKT (CWHKT)** have signed an MOU in which Intel's technology would be used in CWHKT's **broadband and hosting** services. (May 23, 2000)

Konka Group, one of China's largest television manufacturers, has initiated a move into the Internet sector by forming a new ecommerce company with the **Overseas Chinese Town Co (OCT)** and the **Overseas Chinese Town Real Estate Development Co (OCTRED)**. The JV, **Shenzhen Konka United Ecommerce Co**, will primarily sell Konka and other branded electronics over the Internet and engage in other ecommerce activities. Konka Group will hold a 60% stake in the JV, while OCT and OCTRED will hold 25% and 10% stakes respectively. The JV has a registered capital of RMB30m (US\$3.6m). (May 24, 2000)

SUNeVision, a subsidiary of **Sun Hung Kai Properties** of Hong Kong, has formed a partnership

to launch a B2B site for the electronics industry, **AsiaE2E.com**. The website, which will go online in H2 2000, will provide a forum for electronics companies to trade finished goods and components. It will generate revenues from transaction fees, advertising, e-catalogues, business service provider fees and subscription fees. (May 18, 2000)

INDIA

SAP India, a wholly owned subsidiary of the German software company, **SAP AG**, has developed a new Internet strategy. The company aims to broaden its business scope by expanding into application hosting and developing marketplace portals for vertical industries. In 2000 it recorded a 40% market share in India, up from 10% in 1998. Out of its 200 customers, 50% are from the SME segment. (May 10, 2000)

The **Lok Sabha**, the Lower House of Parliament in the Indian Government, has passed the Information Technology Bill. Critics complained that the representative body rushed the bill through, but proponents see the legislation as a legal framework, which will facilitate ecommerce. India has one million Internet connections, each with about four users. The **International Data Corporation (IDC)** estimates that by 2003, India will have 7.5 million Internet subscribers. By Q3 2000, there will be 2.5 million regular Internet users in India. (May 17, 2000)

INDONESIA

Lippo Group of Indonesia has formed an alliance with **Across Asia Multimedia Group (AAMG)** of Hong Kong to develop **LinkNet**, Indonesia's first free ISP. LinkNet combines cable, leased line and wireless technologies in order to provide high speed broadband Internet access ranging from 256Kbps to 4Mbps. (May 9, 2000)

JAPAN

Click2learn.com Inc, **Softbank Media & Marketing Corp** and **Softbank Forums Japan Inc** have agreed to form a JV, **Click2learn.com Japan**, an **e-learning** company. The JV will provide Japanese professionals with off-the-shelf courseware, as well as browser-based management and authoring and publishing tools in order to enable Japanese corporations to create courseware in-house. The e-learning market is expected to grow from a ¥3.2bn (US\$30m) market in 2000 to a US\$10bn in 2010. (May 10, 2000)

NTT Communications Corp of Japan, which owns a 10% stake in US-based **Verio Inc**, plans to acquire all of the remaining shares of the company for US\$5bn in cash. As a result of the deal, NTT will gain data centers as well as the other resources of the largest website operator. It is expected that the transaction will spur similar deals in the sector, as NTT's competitors in Japan and abroad form alliances to offer long distance, local, voice and Internet service through a single provider. (May 8, 2000)

Razorfish Inc of the US and **Intervision Inc** of Japan have agreed to form 50:50 JV, **Intervision-Razorfish Inc**, which will provide Internet consultancy services in Japan. The two companies will launch the JV in July 2000, with a capitalization of ¥300m (US\$2.8m). Razorfish, an IT consultancy, will use the JV as an opportunity to expand into other Asian markets. Intervision is a 99% subsidiary of **Sony Corporation** of Japan. (May 18, 2000)

Softbank of Japan plans to establish **Softbank Mobile Technology** as a subsidiary of **Softbank Technology** in Q2 2000. The new company will operate **data centers for ecommerce businesses** oriented towards mobile phone users, which will include online authorization, billing and settlement. The new company has been formed as the number of mobile phone subscribers in Japan has exceeded the number of fixed-phone subscribers for the first time. Softbank Mobile Technology will be capitalized at ¥50m (US\$0.5m). (May 10, 2000)

KOREA

AltaVista of the US intends to purchase a 60% stake in its local Korean partner, **Pyungchang Computer & Communication** to form a subsidiary, **AltaVista Korea**. The subsidiary will serve as a strategic base for AltaVista's growth in Asia, where the company would like to expand its presence in China, Hong Kong and Taiwan. Korea AltaVista will also be owned in part by **CMGI**, the US venture capital firm that holds a majority stake in AltaVista. (May 19, 2000)

BT LookSmart, a JV between **LookSmart** of the US and **British Telecom (BT)** of the UK, has finalized plans to launch Korean and Japanese versions of its databases. The local directories will contain more than 30,000 URLs relating to locally relevant and culturally sensitive information. The company has already secured a local search engine and a Korean media group to syndicate the LookSmart Korean directory into its portal offering. Also in Asia, BT LookSmart has signed **Mantra** in India, **Maxis** in Malaysia and **CLEAR Net** in New Zealand. (May 24, 2000)

Click2Asia, a leading Asian Internet media company, has designated **CommTouch** of the US as the email solutions provider for its Pan-Asian community and marketplace. Under the agreement, Click2Asia's members will have access to CommTouch's email, messaging and calendaring solutions, which are available in Korean, as well as Chinese, Japanese and English languages. Click2Asia has penetrated the Asian market with a presence in China, Japan and Korea. CommTouch serves over 15m email boxes worldwide and is a leading global provider of outsourced integrated email and messaging solutions. (May 25, 2000)

Lucent Technologies Inc of the US will invest US\$120m in **Hanaro Telecom Inc** of Korea, enabling Hanaro to expand its **high-speed Internet service** to 79 cities throughout Korea by Q4 2000. In return, Lucent will gain priority in selling technology and telecom equipment to Hanaro. In a separate transaction, Hanaro has secured US\$100m from **Hewlett-Packard** of the US to develop an Internet data center. The company has also raised a total of

W700bn (US\$623.7m) from the **Korea Development Bank** and by selling corporate bonds. (May 24, 2000)

Yahoo! Korea and **Daum Communications**, an **Internet community service provider**, have experienced increases in their advertising revenues during Q1 2000, despite advertisers' concerns about the effectiveness of advertising on the web. Yahoo! Korea reported having 34 million daily pageviews and earned W3.6bn (US\$3.2m) in Q1 2000, which is nearly 50% of its total ad revenue from all of 1999. It forecasts that its ad revenue will reach more than W25bn (US\$22.5m) by the end of 2000. Similarly, Daum's ad sales in Q1 2000 totaled more than 60% of its ad sales for all of 1999. It expects the figure for 2000 to be more than four times as large as the 1999 figure. (May 17, 2000)

MALAYSIA

Asiacontent.com Ltd of Hong Kong has entered the Malaysian Internet sector by overhauling **Malaysia.CNET.com**, a computer and technology website. It will add new features to Malaysia.CNET.com, resulting in a comprehensive site, which provides local and international technology related news, hardware and software reviews, as well as ecommerce offerings and technology stock information. (May 5, 2000)

Time Engineering Bhd (Time) of Malaysia plans to invest RM2.7bn (US\$710m) to expand its **fiber optics network** to meet its goal to increase its fixed-line and mobile phone subscribers to 3 million by 2003 from the present level of 550,000. As a result of the transaction, Time will increase the value of its subsidiary, **Time dotCom Bhd's** telecom unit. Time also plans to sell part of its stake in Time dotCom in order to generate funds, facing increasing competition in the Asian telecom market. (May 8, 2000)

To submit stories to future editions of this newsletter, please contact Christina Meyer in New York on 212.265.5300 or cmeyer@bdallc.com.

VMS Technology Sdn Bhd (VMS), a Malaysian computer telephony product developer, has secured RM6m (US\$1.6m) in its third round of financing from **MSC Venture One Sdn Bhd (MV1)**. VMS will use the funding to expand its presence in Asia, particularly in Australia, China, India, the Philippines, Taiwan and Thailand, where it will establish new offices. It will also use some funds to fuel its R&D activities, to bolster its IT infrastructure and to outsource production of its BlueJade total enterprise communication server (TECS). VMS has subsidiaries in Hong Kong and Singapore. (May 8, 2000)

PHILIPPINES

Philweb.Com Inc (Philweb) has signed an MOU to form an ecommerce JV with **e2-Capital**, a Hong Kong-based tech-related investment bank and **AIA Capital**, an affiliate of **AIG** in Asia. The new company, **TriWeb Asia**, has an agreement with **PhoenixNet** for broadband high-speed Internet access via satellite for Indonesia, Malaysia, Singapore, Thailand and Vietnam. Philweb will own 40% of TriWeb Asia, while e2-Capital and AIA Capital will each own 30%. (May 11, 2000)

SINGAPORE

AsiaOne Ltd, the Internet subsidiary of **Singapore Press Holdings**, has formed a JV with **Fantastic Corp**, of Switzerland. AsiaOne will own 40% of the JV, **FantasticOne**, which will develop **broadband multimedia content** and solutions. The content will be transmitted over satellite, cable and mobile networks. Fantastic develops and distributes software-based platforms to enable high-speed broadband data transfer over the Internet. (May 14, 2000)

I-One.Net International Ltd has gained approval to form a JV in China with an initial investment of RMB2.3m (US\$0.3m) through its subsidiary, **Xpress**

Print (HK) Ltd, with **Cheng Cheng Wood Stone Education & Investment (CCWS)**. Xpress Print will own 45% of the JV, and CCWS will own the remaining 55%. (May 1, 2000)

Keppel Land Ltd of Singapore, a unit of **Keppel Group**, plans to form a 70:30 JV with its sister company, **Keppel Telecommunications and Transportation**, in order to develop Internet based systems and solutions for the real estate industry. Similarly, the two companies plan to form a JV to invest in Internet and technology companies with applications in the real estate industry. Commercially, Keppel Land will provide **broadband access**, **wireless LAN**, **video-conferencing**, central PABX and **web-enabled facilities** to office buildings. (May 17, 2000)

Singapore Cable Vision (SCV) plans to enable 3,000 of its subscribers to go online via their television sets in Q2 2000 when it tests a new application. The application, which requires the installation of special set top boxes, will allow individuals to access their email accounts on their television during commercial breaks or click on links related to the programming. SCV will target customers who do not usually log on to the Internet, such as the elderly and children. **Motorola** of the US will supply the set top boxes. (May 10, 2000)

TAIWAN

KG Telecommunications Co Ltd, an affiliate of **Taiwan Cement Corp**, announced its plan to set up a JV with **Cathay Life** group and **Shinkong Life** group to provide broadband services. The new ISP will be inaugurated in Q3 2000 with a capitalization of NT\$3.5bn (US\$112.9m). Separately, **Koos Group**, an affiliate of KG Telecom and Taiwan Cement, plans to form a new ISP in Q3 2000. (May 23, 2000)

FOCUS

Indian portals

The Indian Internet sector is in an early stage of development. By Q3 2000, there will be 2.5 million regular Internet users in India, which will increase to 4.5 million in Q4 2000. The Internet sector in India is estimated to be six to twelve months behind that of China. Regardless, India's 200m strong middle class, its familiarity with English and its world class software industry make it an attractive market to both Western Internet companies and financial investors.

In Q4 1999 there were close to 30 India-specific portals in India and numerous others operating outside of the country. The Indian portal space has so far been dominated by pioneer, **Rediff.com**, with firms such as **123India.com**, **Indiatimes.com**, **Indiaworld.com**, and **Satyamonline.com** vying for second place. Other players in this space include US-based **Chaitime.com**, **Expressindia.com**, **Gnan.com**, **India.com**, **Indya.com**, **Mantraonline.com**, **Sholay.com** and **Webdunia.com**.

While these portals do not target nonresident Indians ("NRIs") and Indian citizens equally, most hope to attract members of both communities for their potential as consumers.

In four to five years it is probable that only 20 companies will remain in the Indian Internet market. The sector is already beginning to see some consolidation. The acquisition of **Indiaworld.com** by Satyam Infoway for US\$115m is the most notable example. In the near future the drive to increase content quantity and quality will lead M&A activity in India. **Hungama.com**, a youth and entertainment website, has acquired an Indian movie site to boost its content offerings.

Recent developments in the Indian portal space include the impending launch of Indian versions of multinational portals such as **Microsoft**, **Lycos** and

Yahoo! and the introduction of Indian-language content by **Rediff**, **Indiainfo** and others.

We expect the portal sector to rationalize fairly quickly with only a few sites being able to serve as broad horizontal portals. The entry of Yahoo! and Lycos will speed up this process. Rediff has first mover advantage, and Satyamonline has the advantage of having a strong parent firm and being publicly listed. We have briefly profiled below some of the sites we expect to lead the rationalization in the sector in India.

Key players:

Chaitime

Chaitime was set up in 1999 in the US to serve as a community site especially **focused on the NRI (nonresident Indian) community**. The site also offers community building tools. It has channels devoted to Bollywood, careers, college, cricket, news, music and weddings. Chaitime completed its second round of funding in January 2000 and the company has opened offices in Canada, India and the UK to promote the site in those countries.

Hungama.com

Hungama is one of India's leading **entertainment portals** with over 250,000 registered users and 20m page views per month. Hungama has helped to speed its growth by acquiring a Mumbai-based movie portal, **indiafm.com**. Hungama has yet to begin online, TV and print advertising campaigns. Nevertheless, it enjoys good brand recognition in India by concentrating on building its name recognition through sponsorships and co-branding.

Indiaacross.com

Indiaacross is designed to provide both residents and NRIs with **information on India**. Its channels such as **Health & Nutrition, Women Today, NRI** and **Business** are intended to cater to the specific needs and interests of its audience. Its NRI channel is linked to **NRI Online** (www.nriol.com), which is a separate portal that caters specifically to NRIs. Launched in June 1999 by a group of engineers and a journalist, NRI Online "addresses issues that are related to nonresident Indian life around the world." The site is oriented more towards content than ecommerce.

Indiainfo.com

Indiainfo positions itself as a "one-stop shop for all **information** on India." Its news, current affairs, business, entertainment and sports content is available in English and in the following Indian vernaculars: Gujarati, Hindi, Kannada, Malayalam, Tamil and Telegu. The company has 10m page views a month and a subscriber base of 3m. Major shareholders in the portal include **Morgan Stanley** and **VSNL**, the state-owned telco which had a monopoly in providing Internet access in India until Q1 1999. Indiainfo.com has acquired **India Abroad Publications**.

IndiaWorld.com

IndiaWorld caters mainly to the NRI community. Since its inception, IndiaWorld has integrated 13 sites including **Dhan, Khel, Khoj** and **Newsasia**, with over 13m page views a month. **Satyam Infoway**, a leading Indian software house, acquired the company in Q1 2000 for US\$115. The high price-tag on Indiaworld has been attributed to its predominantly NRI user base. The takeover was one of the first in India's technology and Internet sector.

Indiainfoline.com

India Infoline was set up in 1995 as an offline business to provide independent research and information to investors, both retail and institutional. In 1998 it scrapped the fee-for-product business model and moved all of its reports online, which it now offers for free. The main focus of the business is its own **content** - including news updates on publicly listed Indian companies and in depth company and industry research reports. Infoline has 50 employees working on the content side and claims to have 10m page views per month. Infoline was clearly a first-mover in India, and has the some best finance related original content in Asia. The research reports are good quality and in the offline days were sold to McKinsey, Dun & Bradstreet, Alliance Capital, Morgan Stanley and ICICI Securities.

Rediff is a pioneer in the Indian portal space. Launched in 1995 by the ad agency, Rediffusion-Dentsu Young & Rubicam, the site has since become India's premier portal. It positions itself as an access-point for all India-related information. NRIs account for 65% of Rediff's user-base. In addition to

providing the standard portal features, Rediff is a full-fledged Internet retailer, selling products, such as books, music, gifts, and jewelry, and services such as film-ticket bookings, air-tickets, and hotel reservations. Rediff is a private company and investors include Bill Draper, Intel, and Warburg-Pincus. Hong Kong-based Pacific Century Cyber Works Ltd has a 5% stake in the portal. The company is seeking to list on NASDAQ in the near term.

Andrew Huntley, Managing Director
Sunny Hong, Senior Associate

Paul DiGiacomo, Senior Associate
Christina Meyer, Analyst

ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists US companies in expanding their businesses in Asia. 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 Frank Zhang in Shanghai.

New York

Charles Maynard
Business Development Asia LLC
The Economist Building, Suite 405
111 West 57th Street
New York, NY 10019
Tel: (212) 265-5300
Fax: (212) 265-4300

London

Euan Rellie
Business Development Asia
London Representative Office
10 Crown Place, Floor 3
London EC2A 4FT
United Kingdom
Tel: (44) 207-655-3748
Fax: (44) 207-655-8901

Singapore

Andrew Huntley
Business Development Asia Utd Pte Ltd
20 Raffles Place
#10-07 Ocean Towers
Singapore 048620
Tel: (65) 533-8500
Fax: (65) 533-8506

Shanghai

Frank Zhang
Business Development Asia
Shanghai Representative Office
American International Centre
at Shanghai Centre, Suite 506A
1376 Nanjing Road West
Shanghai, China, 200040
Tel: (86) 21-6279-8390