

ASIAN TECHNOLOGY NEWSLETTER

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CHINA/HK

Agilent Technologies Inc, a US electronic measuring instrument company, announced that it has opened a maintenance center for electrical measuring equipment in Shanghai, after setting up a production and development base in China in March 2002. The growing market demand for wireless measuring instruments and effective metric services in China prompted Agilent to expand its business. The company currently has two maintenance centers in Beijing and Shenzhen. (July 11, 2002)

China Mobile, China's biggest mobile phone operator, sold an extra 1% of its shares to **Vodafone**, the world's largest wireless group, for US\$750m. This deal will allow Vodafone to increase its stake in China Mobile to a 3.27%. The funds raised from the sale to Vodafone will be used by China Mobile to pay for its US\$10.2bn acquisition of eight cell phone networks. Vodafone is slowly increasing its foothold in China, the world's largest market of mobile phone users with about 170 million customers. (June 20, 2002)

NEC Corp and **Matsushita Communication Industrial Co**, two information and communication systems and equipment manufacturers in Japan, announced that they have established a JV, **Cosmobic Technology Co**, to expand their 3G mobile handset business in China. Cosmobic Technology will be capitalized at US\$8m, with NEC and Matsushita each holding a 47% stake. The remaining 6% will be owned by **Huawei Technologies Co**, a Chinese telephone base stations and telecommunications infrastructure systems manufacturer. Cosmobic will secure licenses related to core communication software technology from NEC and Matsushita and sub-

INTRODUCTION

We hope 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.

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Andrew Huntley
Managing Director

license them to handset and semiconductor manufacturers. The new JV will hire 100 local engineers. (July 12, 2002)

Roly International Holdings Ltd, a Singapore-listed distributor of lifestyle products, announced that its unit **Online Ventures Holdings Inc** will form a JV company in China with **e-commerce Logistics Ltd (ECL)**. The new JV, called **e-Logistics (China) Ltd**, will be 44.44% owned by Online Ventures and 55.56% by ECL. It will be a Greater China focused third party e-logistics company providing outsourced and IT-enabled warehousing, fulfillment, delivery, multi-lingual customer care, real-time inventory management, reverse logistics, added value and co-marketing solutions. (July 5, 2002)

Shandong Langchao Cheelo Software Industry Co, a Shanghai-listed telecom software developer in China, announced that it will acquire a 46% stake in **Langchao LG** for RMB 85.9m (US\$10.3m) from its parent company **Langchao Group**. The restructuring deal will position Langchao Software as the second largest shareholder of the mobile phone producer Langchao LG, after **LG Electronics** of South Korea. Langchao LG is JV a between LG Electronics and **Shandong Langchao Group**, one of the largest electronics makers in China. (June 07, 2002)

Start Computer, a PC and network equipment producer in China, announced that it will sell a 65% stake in network equipment arm, **Start Network Technologies (SNT)**, to **Fujian Sunshine Investment Corp**. The sale of shares in SNT comes as part of Start Computer's restructuring, since Start Computer has defined its three core business areas as external equipment, PCs and electronic payment systems. SNT primarily produces modems, access equipment and routers. (July 19, 2002)

TechCap Holdings Ltd, a manufacturer and distributor of electronics components listed in Hong Kong, announced that it has agreed to purchase a 4% stake in **Global Med International Ltd**, an electronic medical information technology company, from **Global Med International Holdings Ltd** for HK\$18m (US\$2.3m). Global Med International Holdings will continue to hold a 96% stake in Global Med International, but the transaction also includes

a non-legally binding MoU, which requires Global Med International Holdings to sell its remaining interest in Global Med International to TechCap. (July 2, 2002)

Toshiba Corp, a Japanese electronics company, announced that it will take full ownership of **Wuxi Huazhi Semiconductor Co** in Wuxi, Jiangsu Province, by purchasing the stake held by its JV partner, **Huajin Electronics Group Corp**. The JV, established in 1994 for production of integrated circuits (ICs) for use in television sets and audio products, will change its name to **Toshiba Semiconductor (Wuxi) Co**. It will increase the capital of the company to US\$15m, transfer its operations to a newly developed industrial park in Wuxi and boost its capacity to 30 million units a month from the current 3 million a month. Toshiba will also invest Y5bn (US\$41m) over the next two years to boost its semiconductor manufacturing capacity in China to meet growing local demand. (July 8, 2002)

INDIA

HCL Technologies, an Indian IT services company, announced that it has formed a JV company with **Jones Apparel Group Inc**, a NYSE-listed designer and marketer of branded apparel, footwear and accessories in the US. The new JV, named **HCL Jones Technologies**, will be 51% owned by HCL Technologies and 49% by Jones Apparel Group. HCL Jones Technologies will provide development, maintenance and implementation services to various divisions of Jones Apparel. (June 26, 2002)

Tata Teleservices Ltd, a unit of the **Tata Group**, announced that it has bought a 51% stake in **Hughes Telecom (India) Ltd** from **Hughes Network Systems** of US, **Ispat Industries** of India and **Alltel Corp** of US. Tata Teleservices will issue 714.3 million redeemable non-cumulative convertible preference shares as part of its payment for the stake, but the transaction price was not disclosed. Tata Teleservices also plans to make an open offer for the 20% stake in Hughes Telecom (India) held by public shareholders. Hughes Telecom (India) Ltd is a JV company formed by Ispat Industries Limited, Hughes Electronics Corporation and Altel

Corp. The JV has been awarded a 15-year license to establish, maintain and operate a basic services telecommunications network in the Indian States of Maharashtra and Goa. (June 28, 2002)

Wipro Limited, a Bangalore-based IT company, announced that it has purchased an additional 66% stake in **Spectramind e-Services Private Limited** for US\$83.9m in cash. This deal has allowed Wipro to hold a 90% stake in Spectramind e-Services. Spectramind e-Services is Delhi-based and is one of the largest IT services companies in India. Wipro has also entered into an agreement to acquire Hyderabad-based **GE Medical Systems Information Technologies Private Limited** for US\$5.7m. Wipro will hold 100% of the company upon completion of the transaction. These two acquisitions were part of Wipro's strategy to "utilize and prioritize the cash", as Wipro had a cash reserve of US\$330m. (July 19, 2002)

INDONESIA

PT Telkom, a state-owned telecommunications service provider, announced that it will sell a 12.72% stake in cellular phone subsidiary **PT Telkomsel** to **Singapore Telecommunications (SingTel)** for US\$429m. SingTel is expected to pay in cash after Telkom has fulfilled a number of conditions stipulated in the sales and purchase agreement. One of these conditions is securing a *DCS 1800* license from the government to be used in Telkomsel networks. SingTel currently holds a 22.3% stake in Telkomsel which is purchased from Dutch Royal KPMN NV for a price of US\$603m. (July 18, 2002)

JAPAN

Fujitsu Ltd, a Japanese communications equipment and software company, announced that it plans to sell its flash memory plant in Gresham, **Oregon to Microchip Technology Inc** of the US. Microchip will pay US\$183.5m to acquire the plant, with the deal expected to be closed by October

2002. Some of the site's chip fabrication equipment has been relocated to Fujitsu's JV plant, with the remaining equipment and facilities to be included in the deal with Microchip, which plans to use the fabrication facility to produce micro controllers. (July 19, 2002)

Hitachi Ltd, a manufacturer of electronic and electrical products in Japan, announced that it has acquired an 80% equity stake in **AccSys Technology Inc** of US to promote its proton-based cancer treatment systems. Hitachi paid US\$6.4m to obtain the stake in AccSys Technology Inc, which produces advanced compact proton linear accelerators. Hitachi believes that this deal is in line with a growing demand for proton-based cancer treatment systems which apply a proton beam to tumors that produces less side effects than radiation treatment. (June 1, 2002)

NEC Corp, Matsushita Electric Industrial Co, Japan Telecom Co, and KDDI Corp announced that they have formed a JV to develop Internet-based broadband communications services. Capitalized at ¥100m (US\$0.8m) and located in Tokyo, the venture is owned 31% by NEC, with the other three partners each holding a 23% stake. The JV will seek to commercialize new broadband services in 2002. (July 30, 2002)

Omron Corp, a Japanese manufacturer of electrical components, announced that it is planning to buy a 75% stake in **FA Ryosan from Ryosan Co Ltd** of Japan, aiming to take full control of FA Ryosan by September 2002. FA Ryosan sells memories, microcomputers, ASICs, semiconductor devices, transistors and diodes. Upon a successful deal, FA Ryosan will change its name to FA Techno Corp. (July 5, 2002)

Toshiba Corp announced that it has increased its stake in US wireless product distributor **Audiovox Communications Corp (ACC)** as a step toward expanding its mobile phone business in North America. Under the deal, Toshiba increases its stake in ACC to 25% from 5%. ACC is the second largest supplier of mobile phone handsets based on CDMA in North America. Toshiba will provide ACC with exclusive rights to sell Toshiba mobile phone handsets in North and South America. The two companies will also cooperate in marketing and product development for the North American market,

while they will work together on expanding their business in Latin America. (June 2, 2002)

UFJ Group, a Japanese mega-bank formed by a merger of **Sanwa Bank Ltd**, **Toyo Trust and Banking Co Ltd** and **Tokai Bank Ltd** in 2001, announced that it is planning to spin off its computer systems operations and form a JV with electronics giant **Hitachi Ltd**. The deal is a step in its move to outsource its systems operations. UFJ and Hitachi will hold a 51% and 49% stake respectively, and both companies will consider transferring some of their in-house systems employees to the JV. The JV will take over the development and operations of the banking group's backbone systems that manage deposit and lending duties at UFJ branches. (July 24, 2002)

KOREA

C2C, a cable network subsidiary of **Singapore Telecommunications Ltd (Singtel)**, has formed a JV with **Iljin Corp**, a telecommunications company in Korea, to provide telecommunication services in that country. The JV, to be called **Iljin C2C**, will be 51% owned by Iljin Corp and 49% by C2C. The JV will seek to acquire a network service provider license in South Korea, enabling it to provide a full range of telecom services targeted at local carriers and Internet service providers. It will also use C2C's 17,000km cable network, which spans China, Hong Kong, South Korea, Singapore, Taiwan and the Philippines. (June 7, 2002)

Dongbu Group announced that its group of companies plans to expand its semiconductor business by taking over Anam Semiconductor, a semiconductor foundry company. It will secure management rights to Anam by purchasing a 25.8% stake in the firm for W170bn (US\$132.2m). In connection with the move, **Dongbu Insurance** and **Dongbu Life** have already obtained a 8.1% stake and 1.6% stake, respectively, by taking part in a rights offering of Anam Semiconductor. **Dongbu Corporation** will also sign a contract with **ATI Technologies** of the US, the largest shareholder of Anam, to buy a 16.1% stake. Upon the

completion of the transaction, Dongbu will focus on the production of 0.18-micron products, while Anam will concentrate on 0.18-0.35 micron products to maximize synergy. (July 9, 2002)

LG Telecom, a mobile phone operating unit of **LG Group**, announced that it has signed an MoU with the **Telecom New Zealand Group** to cooperate in *CDMA 2000-1x*, data services and general networking technology. The MoU will allow the two firms to jointly develop next generation service platforms and content in the data service field and undertake a long-term exchange of information. The agreement also includes provisions for setting up viable networks and formulating consulting duties in the telecommunications field. (July 11, 2002)

Seoul Mobile Telecom (SMT) announced that it has purchased a 40.75% stake in **Daewoo Computer**, a former subsidiary of **Daewoo Telecom**, which was spun off through an employee buy-out. Upon the deal, SMT will diversify its business into personal computer manufacturing as well as maintaining its presence in the telecommunications business. The deal will also allow SMT to secure managerial rights over Daewoo Computer. (July 25, 2002)

SK Global, a general trading arm of the **SK Group**, announced that it has agreed to take over leased lines from **Thrunet Co**, Korea's third largest high-speed Internet service provider, for a deal valued at W355bn (US\$295m). This deal will allow SK to secure its landline network and expand its telecom business into fixed-line services. SK Global is currently engaged in mobile handset distribution, telecom rentals and roaming businesses. (July 6, 2002)

SK Telecom, a Korean mobile phone operator, announced that it is planning to acquire **Paxnet**, a portal specializing in stock investment information in Korea. This move is part of SK Telecom's efforts to reinforce *Nate services*, a wireless and wired portal site for the company's mobile phone users. As an initial move, SK Telecom recently acquired a majority stake in **Lycos Korea**, a major search portal site. Established in 1999, Paxnet is the largest stock-related site in Korea with a daily average of 20 million page views. (July 22, 2002)

MALAYSIA

JVC, a Japanese electronics company, announced that it has taken over the stake owned by its JV partner in **Philips Electronics and JVC Video Malaysia Sdn Bhd (PJVM)** and renamed it **JVC Video Malaysia Sdn Bhd**. JVC paid RM25m (US\$7.6m) for the 50% stake, which it acquired directly from Philips Electronics. The JV company was set up in 1991 between JVC and Philips. It produces VHS videocassette recorders, VHS-C camcorders and digital camcorders. (July 09, 2002)

SINGAPORE

AEM-Evertch Holdings, a Singapore-listed equipment and engineering company serving the semiconductor industry, announced that it has acquired the production facilities of **MicroCircuit Technology Pte Ltd**, a private company incorporated in Singapore, from **Celestica** of Canada. MicroCircuit is engaged in the design, manufacture and sale of semiconductor organic laminate substrates. The plant, which can produce 6 million units of 27x27 mm plastic ball grid array (PBGA) substrates a month, is the only substrate producer in Singapore. AEM-Evertch aims to distribute substrates to semiconductor companies moving into or operating in China. **BDA advised Celestica on the transaction.** (June 29, 2002)

Kyocera Communication Systems Co Ltd, a Japanese telecommunications equipment company, announced that it will establish a new company in Singapore to distribute content to cellular phones.

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Kyocera aims to strengthen its information distribution service for cell phones in Southeast Asia. The new company will be called **Kyocera Communication Asia Pacific (KCAP)** and will be set up in July 2002 with a capital of Y500m (US\$4m). 75% of the capital will be from KCCS, and the remaining 25% from the **Economic Development Board (EDB)**, which is a Singapore government organization; a CTI systems-related company **Innovax Systems Pte Ltd**; and a content distributor **Orange Gum Pte Ltd**. KCAP will provide content-distribution services for mobile phones in Singapore from August 2002. (June 27, 2002)

Serial System Ltd, a Singapore-listed electrical and electronics components distributor, announced that its wholly owned subsidiary, **Serial Investment Pte Ltd (SIPL)**, will form a JV company in Hong Kong with three individual investors. Serial Investment Pte Ltd will own 65% of the JV, with a proposed paid-up capital of HK\$20m (US\$2.6m). The principal activity of the JV will be the trading of electronics and electrical components in Hong Kong and China. (July 11, 2002)

Singapore Computer Systems Ltd, a Singapore-listed IT solutions company, announced that it has purchased an additional 7.488 million ordinary shares in the share capital of **Asia Business Venture Holdings Pte Ltd** for a total of S\$3m (US\$1.7m) in cash, increasing its stake in Asia Business Venture to 77.62% from 17.35%. Asia Business Venture was formed as a JV by **Sumitomo** of Japan and the **ST Group** of Singapore. The company is engaged in the provision of electronic facilities for the trading of goods and services. (June 28, 2002)

TAIWAN

Fulbond Holdings Ltd, a Hong Kong-based group engaged in wood products, property investment, investment holding and trading of electronic products, announced that its 90% owned unit

Fulhua Microelectronics Corp has agreed to purchase a 51.6% stake, in **Sota Design Technology** of Taiwan from **SpringSoft Inc** for NT\$241.5m (US\$7.1m). This deal allows Fulbond to enter the IC design service market. Sota engages in providing IC design services mostly in Taiwan and the US that include front-end design, backend design and manufacturing logistics services. (July 24, 2002)

Taiwan Semiconductor Manufacturing Co Ltd (TSMC), a Taiwanese semiconductor foundry, announced that it has purchased a 1.5% stake in **Monolithic System Technology Inc** of US for US\$3m. Monolithic System Technology Inc is a provider of memory technologies used by the semiconductor industry and electronic product manufacturers. (June 18, 2002)

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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. 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 Tokyo, Euan Rellie in London, Andrew Huntley in New York, Genevieve Wong in Singapore, Simon Wu in Shanghai or Paul DiGiacomo in Hong Kong.

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