

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

ASIAN TECHNOLOGY NEWSLETTER

Issue 27, October 2001

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

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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, JVs and other strategic alliances in Asia.

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Andrew Huntley
Managing Director

AUSTRALIA

NEC Australia announced that it has started exporting locally designed broadband technology services to Asia. The commercial export of symmetric high-speed digital subscriber line [SHDSL] technology signaled the start of projected multi-million dollar exports of the SHDSL technology. NEC Australia is expanding its foothold in the Asia Pacific region, having already exported asymmetric digital subscriber line (ADSL) technologies worth more than A\$90m (US\$44m) to the region in the past two years. It stated that shipment of the first contract of A\$120,000 (US\$61,358) would go to a leading carrier in Hong Kong. (September 27, 2001)

Optus has taken 100% control of **Excite@Home Australia**, its JV with US-based **Excite@Home**. Excite@Home will provide core broadband technologies and brand licensing to Optus on new terms as part of the deal. Optus plans to integrate the business into its Optus Customer & Multimedia division to realize cost efficiencies. **Singapore Telecommunications Ltd** is currently acquiring the remaining Optus shares, having achieved a 98% stake in Australia's second largest telecommunications company. (September 26, 2001)

CHINA/HK

Allgon, a Swedish supplier of radio-based infrastructure solutions for cellular communications, has signed two general agreements worth US\$18m

with **Beijing Telestone Technology Co Ltd**, a Chinese systems integrator. According to the agreements, Allgon will provide repeaters for CDMA and GSM networks in China. The first agreement with Telestone Technologies includes the provision of CDMA-repeaters for China Unicom, worth US\$14m. Allgon will also supply repeaters worth US\$4m in October and November 2001. (October 1, 2001)

CSL, an Asian mobile phone JV partly owned by Australia's **Telstra Corp Ltd**, has signed an agreement with **Nokia** for the supply of its 3G network in Hong Kong. Nokia will design, install, commission and maintain the network, and provide online services, help desk, and technical support. CSL is 60% owned by **Telstra** and 40% owned by **PCCW** of Hong Kong. (September 26, 2001)

Haier, a Chinese electrical appliances manufacturer, has started building an export base in the coastal city of Dalian, in China's northeastern Liaoning Province. The base, with an initial investment of RMB600m (US\$72m), will produce one million air-conditioners and 550,000 refrigerators a year, all of which will be exported. Its annual output value is expected to reach RMB4.8bn (US\$580.4m) when it comes into full operation in 2002. (September 26, 2001)

The Information Industry Ministry of China announced that China's investment in the information technology industry will top RMB1tr (US\$121bn) over the next five years. The investment is expected to double the size of the country's IT sector between 2000 and 2005, with its added value likely to account for 7% of the national GDP. According to the ministry, RMB500bn (US\$60.4bn) of investment will go into the telecommunications sector, RMB50bn (US\$6bn) to postal services, and RMB400bn (US\$48bn) to electronic information. (September 27, 2001)

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Intel, the world's largest chip-maker, will invest another US\$300m in China to expand its chip packaging and testing plant in Shanghai. The packaging and testing facility, which became operational in 1998, is Intel's first production base in China. The plant is located in the Pudong Development Zone in east Shanghai. The new input brings the company's total investment in the Shanghai plant to US\$500m. After the expansion project is complete, the workshop area of the plant will be more than four times its current size. (September 21, 2001)

Nortel Networks has signed multi-million dollar contracts with **China Unicom** to provide a multi-service backbone and optical Ethernet networks in Beijing and nine provinces in east and central China. The 12 projects, with a combined worth of US\$18m, will allow China Unicom to provide data, voice, IP service, frame relay, IP Virtual Private Networks (VPNs) and other end-to-end data services. Nortel will also build a multi-service network in south China's Guangdong Province for **China Unicom**. (September 24, 2001)

SmarTone Telecommunications Holdings Ltd of Hong Kong and **Ericsson** have formed an alliance to offer comprehensive 3G services in the special administrative region. SmarTone Telecommunications is one of four companies that was provisionally awarded a 3G license by the Hong Kong SAR government on September 19, 2001. The companies, which have already worked together on second generation [2G] and 2.5G telecommunications projects, signed an agreement to set up a core network, network management systems, a radio access network, support services and a supply of 3G handsets in Hong Kong. (September 21, 2001)

Xin Net Corp of Canada announced that it has agreed to acquire **ProtectServe Pacific Ltd (PSP)**, a Hong Kong-based developer and provider of web-based surveillance, monitoring and control systems. Xin Net, which provides online domain name registration, web site hosting, design and management and e-commerce to primarily Chinese customers, stated that PSP is about to expand its business in Greater China with

new offices in Guangzhou and Beijing. (October 2, 2002)

INDIA

Escorts Group, an Indian engineering conglomerate, plans to invest approximately US\$230m to set up operations in four Indian regions where it recently won licenses to become a fourth cellular operator. The group offers cellular services through **Escotel Mobile Communications Ltd** in Kerala, Haryana and Uttar Pradesh West. It is now aiming to launch cellular services in Punjab, Rajasthan, Uttar Pradesh East and Himachal Pradesh by April 2002. Escorts is planning to float a new holding company for its telecom operations. Escorts Ltd will hold a 51% stake in the new venture, while the company is scouting for a foreign partner to invest in the remaining 49%. (September 21, 2001)

HCL Technologies Ltd, India's fifth largest software exporter, announced that it has acquired a 51% stake in **Deutsche Software Ltd**, a subsidiary of Germany's **Deutsche Bank AG**. HCL also said that it will acquire the rest of Deutsche Software at the end of three years by issuing HCL Technology shares to Deutsche Bank. The JV will provide HCL Technologies with a platform to strengthen its global presence in the financial services market. Deutsche Software has 450 software engineers with experience in banking applications and technology based in Bangalore. It performs consulting and software engineering projects for the Deutsche Bank group from Bangalore and in Frankfurt, London, New York and Singapore. (September 26, 2001)

Microsoft India announced that it will be partnering with **Compaq** and **Intel** to undertake a joint launch program of "Windows XP" in India. As part of the partnership Microsoft will undertake joint marketing efforts in the form of customer road shows showcasing the product, and point of purchase

promotions. Under the partnership Compaq and Microsoft will undertake joint corporate seeding program, targeting key customers across the country. In addition, the two companies will collaborate on post launch retail development programs at various Compaq outlets in India. (October 2, 2002)

Tarang Software, a Bangalore based software company, acquired **CyberCash India** from **VeriSign**. The acquisition gives Tarang Software a team of 70 software professionals with an expertise in payment technologies. The acquisition will help Tarang gain knowledge of payment technologies and gives Tarang two new customers, **VeriSign** and **First Data Corp**. Tarang provides software for pervasive computing such as wireless applications that support commerce across multiple devices and protocols. Its products also support enterprise application-integration services that unify disparate systems, databases and applications. (September 22, 2001)

JAPAN

Dentsu Inc, Japan's largest advertising agency, has announced it will spend ¥6.6bn (US\$55.2m) to boost operations in Asia. Dentsu will set up a ¥2.01bn (US\$16.8m) fund for investment in China, India, South Korea, Taiwan, and Southeast Asian nations, targeting advertising and IT fields. In October 2001 the company will raise the capital of its Singaporean units that oversee its operations in Asia, excluding China and South Korea, to ¥2.68bn (US\$22.4m), up from the ¥180m (US\$1.5m). The unit, **Dentsu Asia**, will work to develop IT infrastructure at operating centers for which it is responsible. (September 28, 2001)

Hitachi Ltd announced that it will spin off its household appliance and industrial components operations on April 1, 2002. Both divisions will be integrated with manufacturing subsidiaries and other group units as part of Hitachi's broader structural overhaul. The electrical machinery maker aims to

create a business structure in which each business unit will be responsible for the entire production process of its products from development to sales. By spinning off operations whose products have established a footing in mature markets, Hitachi as a whole aims to focus its corporate resources on information technology areas. (September 28, 2001)

SGI Japan Ltd, a computer maker, announced that it will form a business alliance with **NEC Corp** and **NEC Soft Ltd** in information systems building and other fields. SGI is expecting the alliance to help expand its services in areas such as image transmission via broadband and genome analysis. As part of the deal, NEC and NEC Soft will take equity stakes in SGI, expecting capital gains when SGI goes public in future. The size of the stakes will be determined in late October. (September 27, 2001)

Vodafone Group Plc will raise its stake in **Japan Telecom Co** from the current 45% to 66.7% and acquire management control over the telecommunications firm. In its tender offer, Vodafone is prepared to spend ¥450,000 (US\$ 3,825) per share. Overall, Vodafone will spend a maximum of ¥312bn (US\$2.68bn). According to Christopher Gent, CEO of Vodafone, it plans to appoint a new president to Japan Telecom by January 2002 and replace other executives. (September 21, 2001)

KOREA

SK Telecom and **Shinsegi Telecom** have filed an application with the **Ministry of Information and Communication** to implement a merger as of January 1, 2002. The ministry will make a decision on whether to approve the planned merger within three months of the application. The two telecom carriers confirmed their merger plan at the board of directors meetings held in September 2001 that called for Shinsegi shareholders to receive 0.05696 shares for one SK Telecom share. (September 28, 2001)

The Ministry of Information and Communication announced that Korea and China will set up a US\$30m wireless technology cooperation fund that is expected to enhance greater exchanges between the two countries' telecom companies. The formal agreement will be signed in late October 2001. The fund will be ready for investors in Q1 2002, with the ministry accepting companies which want to do business with Chinese firms in Shanghai around December 2001. (September 27, 2001)

SINGAPORE

Flextronics, a global contract manufacturer, announced that it will take over the manufacturing of **Hewlett Packard's** large-format printers in Singapore. As part of the move, Flextronics will provide employment to Hewlett Packard's 250 employees and will operate independently within the Hewlett Packard-owned facility. Flextronics will be responsible for the full assembly of HP's large-format printers. (September 27, 2001)

Singapore Telecommunications Ltd and India's **Bharti Group**, which are partners in building a submarine cable to link Chennai, Mumbai and Singapore, may bring another partner into the project. **Network i2i Ltd**, which is the JV formed by the two companies to build the 10,800 km fiber-optic network, is on course to connect Chennai to Singapore by March 2002. It had planned a second cable linking Mumbai to Singapore by September 2002, but this has been now put on hold due to the economic downturn. The venture is currently in talks with **Flag Telecom Holdings Inc** to provide the second link, between Mumbai and Singapore. Another candidate to provide the second undersea link is **Sea-Me-We 3**, a 92-party consortium that runs the Southeast Asia, Middle East, Western Europe-3 cable system. Both companies could become possible partners in the US\$650m project because of their extensive networks in the region. (October 1, 2001)

TAIWAN

Science Technology Development of Taiwan announced that it is planning to invest NT\$10bn (US\$290m) over the next nine years to build the island into a major global silicon-IC design center. A flagship program, dubbed the Si-Soft Project, was formally launched in early September 2001 with the endorsement of the government and the private high-technology manufacturing sector. Si-Soft is aimed at building Taiwan into the world's center for silicon-related industries, the total production value of which is expected to reach NT\$10tr (US\$286bn) in ten years and to supply 80% of global needs. (October 1, 2001)

Sensormatic Electronics Corporation, a US based electronic security specialist, has acquired **Enable Systems Engineering Company Ltd**, a Taiwanese security systems integrator, making it the first non-Taiwanese security company to deal directly in the local market. Current Enable customers include **TSMC, Etron Technology, Far EasTone Telecom** and **Bank of China**. Enable has been Sensormatic's non-exclusive dealer of access control and video systems in Taiwan for the past five years. (September 19, 2001)

THAILAND

CP Orange, Thailand's fourth largest mobile telephone operator, announced that it has signed a US\$250m contract with **Motorola Inc**, a US wireless technology giant, to install cellular networks in Thailand's provinces. Motorola will install a 1800 MHZ GSM network and provide radio access equipment and other integration services in preparation for the launch of 2.5 generation (2.5G) technology by the end of 2001. CP Orange, the latest entrant in the competitive Thai cellular market, is planning to have nationwide coverage by the end of 2002. CP Orange is 49% owned by **France Telecom's** mobile unit **Orange**, 41% by Thai fixed-line operator

TelecomAsia, and 10% by **Charoen Pokphand Group**, Thailand's largest agribusiness group. (September 21, 2001)

Network for Electronic Transfers (NETS), an Asian digital cash and Internet payments company controlled by a consortium of Singapore banks, has signaled a further expansion in Asia by signing a number of agreements in Thailand. The Thai partners are **Bangkok Bank** and **the Government Savings Bank, CP 7-Eleven, Krung Thai Card Company**, and **TelecomAsia Corporation**. NETS operates a nationwide electronic payments system in Singapore. Bank account holders use CashCard chip cards that can be used to purchase goods and services over the Internet, from retail outlets or in payphones, or via mobile phones, and to travel on mass rapid transit systems. The CashCard will roll out in Thailand, initially via 7-Eleven stores. (September 25, 2001)

VIETNAM

SLD Telecom, a JV between Korean companies **SK Telecom, LG Electronics** and **Donga Elecom**, is preparing to start CDMA mobile telecommunication operations in Vietnam early 2002. SLD Telecom and Vietnam's **Saigon Post and Telecommunication Service Corporation (SPT)** will set up a JV called **S Telecom** to provide mobile telecommunication service for the next 15 years. SLD Telecom will supply capital, CDMA technology and know-how while SPT provides the CDMA business rights and frequency. The project aims to increase the country's network capacity by between 700,000 and 1 million subscribers, including 100,000 using the fixed network. The corporation also plans to have an additional 897,500 fixed line telephone subscribers by the end of 2001. (September 19, 2001)

The General Department of Post and Telecommunications has licensed another member company of the **Vietnam Electricity Corporation (VEC)** to provide telecommunications service. This

is the fifth telecom business licensed thus far and the second VEC unit to enter the industry after its Telecommunications Joint Stock Company. The new firm, **VEC Telecommunications and Information Company**, has been permitted to set up its own networks and provide domestic leased channels. It has also been permitted to offer domestic and international long-distance telephone, fax and data transmission services over Internet Protocol (IP). The company can lease long-distance domestic and international telecom channels and build its own or lease from other businesses. Other voice over Internet protocol (VOIP) providers in Vietnam include **the Vietnam Post and Telecommunication Corporation** with its 171

service and **Military Telecommunication Company (Vietel)** providing 178 service. (October 2, 2001)

The People's Committee of Thua Thien-Hue Province has approved plans to build a VND15bn (US\$1m) software park in the ancient city of Hue. The proposed 62,000sq m park will cater to customs, import-export, cultural and legal businesses. It will also provide services to software companies and office space for tenants. Provincial authorities have approved a package of VND15bn (US\$1m) to develop infrastructure and purchase information technology equipment for the venture. If the plan wins government approval in November, construction will commence in early 2002. (September 27, 2001)

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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 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 on BDA's services or on any of the articles in this newsletter, please contact the relevant office.

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