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INTRODUCTION

We hope you find the *Asian Technology Newsletter* informative.

BDA is a corporate finance and advisory firm, which assists multinational clients to identify, assess and execute cross-border transactions involving Asia, including acquisitions, divestments, JVs, restructuring and capital raising. We have offices and professional staff throughout Asia, and in the US and UK.

If you think that BDA's services may be useful to you, please contact us at any one of our offices or email me at ahuntley@bdallc.com. Contact details for our offices are at the back of this newsletter. We look forward to speaking with you in the future.

Andrew Huntley
Managing Director, ahuntley@bdallc.com

CHINA

Baidu.com, China's largest online search engine, has announced plans to invest US\$15m in its Japanese subsidiary in 2007. The proceeds will be used for network equipment, human resources and R&D. Baidu launched the beta version of its Japanese site in March 2007, which will be launched commercially by the end of 2007. (June 21, 2007)

Google has acquired an undisclosed stake in the Chinese community website **Tianya.cn**. The acquisition marks Google's entry into the social networking segment of the world's second largest internet market, with 162 million users. Google plans to acquire one or two companies in China and invest in four others to close the gap on **Baidu.com** in the Chinese market. (August 20, 2007)

GRINM Semiconductor Materials has announced that it will issue up to 20 million domestic shares to raise RMB450m (US\$59.8m) for several new initiatives. Projects in the pipeline include: the construction of 240,000 pieces of mono crystal chip for 12 inch integrated circuits; the assembly of 140 tons of large-diameter silicon mono crystal; and the fabrication of 240 tons of silicon mono crystals for solar energy cells. It is expected that the funds needed for these three projects will be RMB176m (US\$23m), RMB157m (US\$21m) and RMB117m (US\$16m) respectively. GRINM anticipates annual demand for 12 inch silicon chips in China to reach two million pieces by end of 2010. (July 16, 2007)

Intel has broken ground on a US\$2.5bn wafer fabrication facility at Dalian, bringing the company's total investment in China to close to US\$4bn. Intel expects the facility, which will include a 15,000-square meter clean room, to be operational in 2010. The investment is also in line with Dalian's ambitions to become one of the top three IT clusters in China. It is believed Intel's arrival to the area will attract much investment from the IC industry. (September 15, 2007)

Linktone, the Chinese wireless services provider, has agreed to acquire a 49% stake in **eChinaMobile**, a subsidiary of **eChinaCash**, a Chinese firm offering customer loyalty programs and payment card programs for large corporations and financial institutions. The value of the transaction was not disclosed. Under the terms of the agreement, Linktone and eChinaCash will leverage each company's extensive customer resources for cross-selling and promotions. (June 20, 2007)

PacificNet Technology and **PacificNet Games**, the China-based subsidiaries of **PacificNet**, the US-based provider of gaming technology, e-commerce and CRM, have agreed to acquire 34% and 17% stakes respectively in **Guangdong Poly Blue Express Communications**, a developer and operator of real-time electronic paperless lottery services, for an undisclosed consideration. The acquisition is expected to be EPS accretive to PacificNet's FY08 earning, and is currently subject to due diligence and final documentation. (September 6, 2007)

Shanda Interactive Entertainment, China's largest online game operator, has agreed to acquire **Chengdu Aurora Technology Development**, the Chinese homegrown online game operator, for RMB100m (US\$13m). The acquisition will bolster Shanda's online 3D game production line and expand its R&D base in Chengdu. (July 5, 2007)

INDIA

FirstSource Solutions, an Indian BPO company, has agreed to acquire **MedAssist Holdings**, a

US-based provider of revenue cycle management services to the healthcare industry, for US\$330m. MedAssist, which serves over 1,000 hospitals, large physician groups and alternate site providers, had FY06 revenues of US\$99m. The acquisition will help FirstSource enter the provision segment of healthcare BPO services and will complement its presence in the US payers segment. FirstSource will fund the transaction by raising US\$275m in debt and the balance from internal accruals. (August 29, 2007)

France Telecom has re-entered the Indian market by acquiring the US\$25m enterprise and managed services division of **GTL**, the Indian network service provider, for INR2.5bn (US\$60m). The sale is in line with GTL's strategy to focus on high margin sectors such as network planning and design, network operation and maintenance and professional services. (July 10, 2007)

Infosys Technologies, India's second largest IT solutions provider, has acquired business lines worth US\$250m from **Royal Philips Electronics NV**. The consideration will be paid through a payment of US\$28m, with the remainder funded through a seven-year, outsourcing contract in payroll processing with Philips. As part of the transaction, Infosys will also acquire three captive BPO centers: Philips Chennai, Philips Lodz (Poland), and Philips Bangkok, which collectively employ 1,400 people. (July 26, 2007)

Megasoft, the Indian IT services provider, has agreed to acquire an 83% stake in **Boston Communications Group Inc (BCGI)**, a US-based provider of real time charging, billing and prepaid products and managed services to the wireless telecom sector, for US\$65m. The share price of US\$3.60 represents an 80% premium over BCGI's closing price of US\$2.00 per share on July 7, 2007. BCGI, whose main clients are Sprint and Telefonica, forecast revenues of of US\$70m in FY07. The acquisition is expected to more than double Megasoft's revenues while providing greater access to North American and Latin American markets. (July 12, 2007)

OnMobile, India's largest wireless value added services company, has acquired a 100% stake in **Voxmobili**, the French provider of software ser-

vices to telecom companies, for €25.8m (US\$35m). The acquisition will help OnMobile to expand into the Asia Pacific region, Europe and Australia, where Voxmobili has a strong presence. Onmobile will also gain access to the latter's phone backup solutions, currently used by leading global telecom companies, and to Voxmobili's experienced 3G software developers. (September 3, 2007)

ORG Informatics, an Indian-based provider of software solutions, has acquired the satellite service business of **Belgacom**, the Belgium-based telecommunications company, for US\$24.3m. The acquisition will help ORG to expand its business in Europe, the Middle East and Africa by offering an enhanced satellite-based service portfolio to its customers and provide low cost access to South Asian and European broadcasters. (August 22, 2007)

Patni Computer Systems, an Indian IT services provider, has agreed to acquire **Taratec Development Corporation**, the US-based provider of integrated business, information technology, and regulatory compliance products and services for clients in the pharmaceutical, medical device and biotechnology industries, for US\$20m. The acquisition is in line with Patni's strategy of enhancing its market specific services and will increase its domain expertise in the life sciences industry. (July 23, 2007)

Reliance Communications, an Indian-based telecommunications service provider, has agreed to acquire **Yipes Holdings**, a US-based provider of managed ethernet and application delivery services, from a consortium of US-based private equity firms for a cash consideration of US\$300m. The transaction provides Reliance with a presence the US enterprise data market and is expected to increase its profit by US\$50m-US\$100m in FY08. Post-acquisition, Yipes will operate as a strategic business unit, fully integrated strategically and operationally within **FLAG Telecom**, Reliance Communications' UK-based international network transport and data services subsidiary. (July 16, 2007)

Reliance Communications has sold a 5% stake in its telecom tower business to seven foreign investors (**Fortress Capital, HSBC Principal Investments, Galleon Group, New Silk Route, GLG Partners, Quantum Fund (George Soros) and DA Capital**) for a consideration of INR14bn (US\$338m), implying an enterprise value of US\$6.7bn. The transaction will enable Reliance to unlock the value of its tower business, for which it may also be eyeing a future IPO. (August 9, 2007)

Wipro, the third largest IT solutions provider in India, has acquired US-based **Infocrossing** for US\$600m cash. Infocrossing has a strong infrastructure component in its IT outsourcing offerings and five data centers in the US. The acquisition will enable Wipro to increase its offerings and offer managed IT infrastructure services and network operation centers (NOC) to its clients in the US. The deal, subject to regulatory approvals, is expected to close by December 2007. (August 6, 2007)

Yahoo! India has acquired a 35% stake in **Tyroo**, the Indian online advertising network with 1,200 registered publishers, for an undisclosed amount. Tyroo will use the proceeds from the stake sale to invest in expanding its technology and sales network, to reach out to small and medium sized advertisers and publishers in India, and to offer newer ad-formats and greater flexibility to advertisers and publishers in managing ad campaigns. (July 18, 2007)

JAPAN

Mitsui & Co, the Japanese conglomerate, has agreed to acquire a 40% stake in **Buongiorno Marketing Services (BMS)**, the Netherlands-based company active in digital marketing services, from **Buongiorno**, the Italian internet service company, for a consideration of €13.3m (US\$17.7m). Under the terms of the agreement, Mitsui will also provide support and services, management of the marketing services business, and

capabilities to research and analyze new business opportunities. Post-acquisition, BMS will offer digital advertising campaigns and projects for Internet and mobile telephone services. (June 21, 2007)

Nippon Electric Glass will raise its output of glass substrates for LCD panels in a bid to catch up with the leading global producer, **Corning**. The Japanese firm plans to increase its output by 20% by the end of March 2008. NEG said it will spend US\$296m to start up a new glass-making plant in December 2007, adding a monthly output of 400,000-500,000 sq meters of glass substrates when it begins full production. The move reflects intensifying competition in the LCD industry, where panel makers such as **Samsung Electronic** and component suppliers are making aggressive investments to increase production. (August 14, 2007)

Sharp Corp said it will spend ¥380bn (US\$3.2bn) to build the world's largest LCD plant in Sakai, Osaka Prefecture, starting in November 2007. The new plant will be built on a 1.27 million sq meter site and is expected to be operational by March 2010. Investment costs could reach as much as ¥1trn (US\$8.7bn) when capital outlays by firms in supporting industries are included. Sharp says the new plant will be the first in the world to use 10th-generation glass substrates, which makes the fabrication of LCD panels for large-screen TVs more efficient. (August 6, 2007)

Sharp Corp will buy a US\$357m stake in **Pioneer Corp** and will collaborate with Pioneer to develop DVD players, car electronics and displays. The deal is the latest move by Japan's electronics conglomerates to form alliances to keep up with larger global rivals and respond to increasing shareholder pressure for better returns. (September 20, 2007)

Showa Denko (SDK) has decided to invest ¥5bn (US\$41.5m) to expand its production capacity for gallium nitride (GaN)-based blue LED chips at its Chiba site to 200 million units a month by June 2008. This expansion complements the ongoing work at Chiba to increase blue LED chip produc-

tion capacity from 30 million units a month to 100 million units a month by end 2007. (July 18, 2007)

Sumitomo Chemical has agreed to acquire **Cambridge Display Technology (CDT)**, a UK-based developer of polymer light emitting diode technologies, for US\$285m. Sumitomo Chemical's display materials business has been identified as one of its most important industry areas, and has been allocated significant resources. The acquisition should significantly enhance the prospects for P-OLED technology adoption. The transaction, subject to regulatory approvals, is expected to close by December 2007. (July 31, 2007)

Sun Corporation has agreed to acquire a 90.6% stake in **Cellebrite Mobile Synchronization**, the Israel-based developer of software applications for cell phone data transfer and management, from **Projectel**, a Japanese electronic components manufacturer, and Japanese investment holding companies **Upside Financial Management** and **Yu-Val Up**. The transaction size will be ¥1.9bn (US\$15.6m). Cellebrite recorded 2006 revenues of US\$10m and a net profit of US\$2.2m. The acquisition will help Sun Corporation to integrate and strengthen its mobile based services and also obtain technical knowledge of data management and transfer applications for mobile phones. (July 18, 2007)

Yahoo! Japan has agreed to acquire **Overture**, the Japan-based dissemination services provider, from **Overture Search Services (Asia)**, the Ireland-based dissemination services company, for a consideration of US\$13.4m. Overture, which employs 192 people, recorded annual revenues of ¥4.5bn (US\$38m). (August 31, 2007)

KOREA

Celrun, the South Korean set-top box manufacturer, has agreed to acquire **Trigem Computer**, the financially troubled South Korean computer fabricating company, for an undisclosed sum. The estimated transaction size is KRW120bn

(US\$130m). The acquisition will enable Trigem to focus on digital convergence products by tying its competitive edge in the computer industry to Celrun's software and multimedia technologies. (August 13, 2007)

Choi Gil Ho, the Korean private investor with interests in biotech companies, has agreed to acquire a 32.8% stake in **PWGenetics**, the Korean network integrator and biotechnology firm, from **Hermes Private Equity**, the UK-based PE firm, for a consideration of KRW14.9bn (US\$16.3m). Choi Gil will acquire 2.4m shares in PWGenetics at a price of KRW6,340 (US\$6.93) per share, a premium of 24% over PWGenetics's closing share price. (July 26, 2007)

MBK Partners, the South Korean PE firm, has agreed to acquire **Yayoi**, the Japanese software firm, from **Livedoor**, the Japanese internet company, for a consideration of US\$611m. The sale is part of Livedoor's strategy to divest its non-core businesses. (August 25, 2007)

Samsung Electronics and **Sony Corp** have agreed in principle to invest further in their LCD JV, **S-LCD Corp**, in order to meet rising demand for large-size flat-screen televisions. The new investment will fund the construction of a new eighth-generation LCD production line, capable of producing panels larger than 50 inches. Samsung and Sony's investment plan signals an increased confidence among LCD makers about market demand. (August 30, 2007)

MALAYSIA/ PHILIPPINES/ THAILAND

Saudi Telecom Company (STC) has agreed to acquire a 25% stake in **Binariang GSM**, the Malaysia-based holding company of **Maxis Communications**, from **Usaha Tegas**, the Malaysian investment company, for US\$3bn. The transaction will expand STC's customer base to 1.4 bil-

lion people and help it to achieve its objective of generating 10% of its revenues from outside Saudi Arabia. For Maxis, the deal will enable it to negotiate more favorable terms with vendors and service providers given STC's large scale. Post-acquisition, STC will have a 25% effective interest in Maxis Communications and a 51% direct stake in **PT Natrindo Telepon Seluler**, Maxis' Indonesian subsidiary. (June 26, 2007)

Smart Communications, a Philippines-based wireless services provider has agreed to acquire 30% of **Blue Ocean Wireless (BOW)**, the Irish provider of GSM communication capability for the merchant maritime sector, for US\$16m. The acquisition will enhance BOW's subscriber base, its GSM network facilities and provide access to the Filipino market for its SIM and pre-paid cards. Smart has the option to buy a further 19% stake in BOW within the next three years. (August 7, 2007)

TDK Corp, a Japan-based manufacturer of disks and electronic devices, has agreed to acquire 74% of **Magnecomp Precision Technology (MPT)**, the Thai disk drive manufacturer, from the Singapore-based firm, **Magnecomp International**, for US\$123m. The acquisition will assist TDK's to boost the competitiveness of its hard-disk drive magnetic heads business. (August 29, 2007)

SINGAPORE

Equation Corp's new solar-film business, **Solar Morph**, has entered into a JV with the world's leading provider of nanomanufacturing technology solutions, **Applied Materials Inc**, to build Singapore's first thin-film solar panel manufacturing plant. The move comes a month after Equation announced its US\$10.3m investment in Solar Morph. NASDAQ-listed Applied Materials Inc will support their solar panel manufacturing facility by delivering a fully integrated thin-film solar production line that will in-

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clude deposition, scribing, software and automation systems. The US\$150m plant, with an initial production capacity of 45 megawatts, is scheduled to open before the end of the year. (August 14, 2007)

FCI, the French manufacturer of control instruments, has acquired **Smartag**, the Singapore-based manufacturer of radio frequency identification equipment, from **Trierenberg Holding** and Austrian paper manufacturer **Delfortgroup**, for an undisclosed sum. Post acquisition, Smartag will be renamed '**FCI Smartag Pte Ltd**'. (June 15, 2007)

Singapore Telecommunications (SingTel), the Singapore-based telecom company, has agreed to acquire a 30% stake in **Warid Telecom**, the Pakistani telecom company, from **The Abu Dhabi Group**, for US\$758m. The acquisition will consolidate SingTel's position in the Asia Pacific mobile market and enhance the company's presence to eight regional cellular markets with more than 130 million subscribers. Warid Telecom expects to benefit from the investment in procurement, marketing, international roaming, network planning and product development. (June 28, 2007)

VST Holdings, the Chinese distributor of IT products, has agreed to acquire a 52.5% stake in Singaporean rival **ECS Holdings**, which also provides information and communication services and enterprise systems, for a consideration of S\$128m (US\$85m). The acquisition will enable VST to expand its range of products and services, increase penetration into different Asian markets, drive its growth in the markets of mainland China. Post acquisition, it will become the second-largest IT products distributor in Asia. (August 9, 2007)

TAIWAN

Taiwan-based PC manufacturer **Acer** has agreed to acquire US-based PC manufacturer **Gateway**, for US\$1.90 per share or US\$710m in total. The offer represents a 57% premium over Gateway's closing price of US\$1.20/share on August 24, 2007.

The acquisition of Gateway will springboard Acer into the third position in the global PC market with a 9% market share, increase its foothold in the US and save an estimated US\$150m from synergies. (August 28, 2007)

Advanced Semi-conductor Engineering (ASE), a Taiwan-based semiconductor assembly and testing services, has agreed to acquire the remaining 49% stake not held in its Singapore-based testing affiliate **ASE Test**, for US\$780m in total. The offers represent a 25.6% premium over ASE Test's closing price of US\$11.77 per share on August 31, 2007. The acquisition will help ASE streamline its operations, reduce the listing costs of ASE Test and strengthen its brand image. The transaction, subject to regulatory approvals, is expected to close by the end of 2007. (September 3, 2007)

Asahi Glass Co (AGC), of Japan, a major glass substrate supplier for thin film transistor-liquid crystal display (TFT-LCD) panels, recently claimed that it might move an investment project for glass furnaces and glass grinding lines to South Korea if the Taiwanese government fails to remove obstacles resulting from the environment-evaluation processes. However, **Asahi Glass Fine Techno Taiwan Co Ltd (AFT)**, the 100% local subsidiary of Asahi Japan, announced plans to invest NT\$16bn (US\$485m) to construct two furnaces and grinding lines on the island in order to meet local consumer demand. (July 18, 2007)

Taiwan's **AU Optronics Corp** may begin construction of an eighth-generation technology liquid crystal display plant in late 2008 or early 2009. Given this timetable, mass production at the eighth-generation LCD plant is not expected to begin before 2010, which would delay AU Optronics' opportunities of tapping the 50-inch panel market. (September 16, 2007)

LG Chem announced that it will start a post-processing factory for polarizers in Taiwan. LG Chem's Taichung factory, which is currently in the test-run stage, will be able to produce 16.8 million 19-inch polarizers annually. LG Chem has begun to make aggressive inroads into the Taiwanese market, with its share of polarizers exported to Taiwanese com-

panies rising from 14% in early 2007 to 30% more recently. (23 August 2007)

Lite-On Technology Corporation has agreed to acquire **Perlos OYJ**, the Finland-based supplier of mechanical and electronic modules for the telecom and healthcare industries, for €421m (US\$569m), including the assumption of €146m (US\$197m) in debt. The offer represents a premium of 40.5% over Perlos' closing price of €3.7 (US\$5.00) per share on August 10, 2007. Perlos posted revenues of €674m (US\$910m) and employs 8,800 people worldwide. The acquisition will allow Lite-On Tech to enhance the mechanical capabilities of its electronic component power unit

and will help to expand its product portfolio. The transaction, subject to regulatory approval, is expected to close by November 2007. (August 13, 2007)

NXP Semiconductors, a Dutch semiconductor manufacturer and the Taiwan-based **Advanced Semiconductor Engineering (ASE)**, have agreed to form a 40:60 JV for the testing and packaging of semiconductors, with an initial investment of US\$36m. The JV, expected to be operational by the end of Q3 2007, will help to speed product to market transportation, a crucial competitive element in the high tech arena. (June 23, 2007)

Andrew Huntley, Managing Director

Diwakar Mitra, Analyst

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. For further information on BDA's services or on any of the articles in this newsletter, please contact the offices below.

New York

Euan Rellie
Business Development Asia LLC
The Economist Building, 11th Floor
111 West 57th St
New York, NY, 10019
Tel (212) 265-5300
Fax (212) 265-4300

London

Andrew Huntley
Business Development Asia Ltd
10 Crown Place
Clifton St
London EC2A 4FT
Tel (44) 20-7655-3500
Fax (44) 20-7655-8913

Bahrain

Tamer Makary
Business Development Asia
2119 Al Moayyed Tower
Seef District
Manama, Bahrain
Tel (973) 17567915
Fax (973) 17567901

Mumbai

Rohit Singh
Business Development Asia
898 Notan Plaza, Suite 4A
Turner Road, Bandra (West)
Mumbai 400050, India
Tel (91) 22-2643-0290
Fax (91) 22-2643-0291

Hong Kong

Paul DiGiacomo
Business Development Asia (HK)
#1206 Lippo Centre, Tower 1
89 Queensway
Hong Kong
Tel (852) 2537-9565
Fax (852) 2537-4406

Shanghai

Jeffrey Wang
Business Development Asia Co Ltd
The Center, #3706
989 Changle Road
Shanghai 200031, China
Tel (86) 21-5407-5580
Fax (86) 21-5407-5680

Seoul

Hans Kim
Business Development Asia
#1201, Gwanghwamun Officia
163 Sinmunno 1-Ga, Jongno-Gu
Seoul, 110-999, Korea
Tel (82) 2-3276-3150
Fax (82) 2-3276-3155

Tokyo

Yuuichiro Nakajima
Business Development Asia K.K.
4F, T3 Gates
3-8-25 Toranomom
Minato-ku, Tokyo 105-0001 Japan
Tel (81) 3-3433-5803
Fax (81) 3-3433-5269