

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

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

Axcelis Technologies, a US semiconductor company, announced that it will open its China operations in Shanghai in March 2002. Its customers will have direct access to its equipment, services and support in China, one of the world's most rapidly growing semiconductor markets. Axcelis Technologies designs and manufactures enabling process applications for the semiconductor industry, including rapid thermal processing and cleaning and curing systems. (March 22, 2002)

Asia Wireless, a wireless technology integration company wholly owned by the **Chinatron Group** in China, acquired a major portion of the business of local wireless start-up **RealVision** to boost its regional expansion plans. RealVision extended the technology limelight in 2001 when it developed the *Carpe Diem V*, one of the world's first GSM sleds for Palm hand held devices. Asia Wireless acquired RealVision's mobile enterprise solution business unit, which includes its software development and enterprise services expertise. This transaction will enable Asia Wireless to acquire the skills, the customer base and the software RealVision developed. Among the customers inherited are **Towngas**, **Hongkong Electric**, **Shui On Construction** and **Li & Fung**. Asia Wireless develops products on both the Palm and Microsoft Pocket PC 2002 platforms. (March 7, 2002)

EarthNetMedia Inc, a US distributor of lifestyle television programs, announced that it will participate in joint projects with **China Rail Sino Telecommunication Corp Ltd (Sino-Con)**, China's second largest fiber optic company. Both companies will formulate a detailed working plan to integrate their market resources and technical expertise. The joint projects are also planned to include content creation for residential units,

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

educational programs for engineering colleges, and several other technical training course programs. (March 20, 2002)

eBay, an online trading site, and **EachNet**, an online trading community in China, have announced a new partnership. eBay will invest US\$30m in cash to acquire a 33% stake in EachNet, to expand online trade in China. Through a partnership, EachNet expects to further extend its e-commerce leadership in China, while eBay will gain a foothold in one of the world's fastest-growing Internet markets. EachNet was founded in Shanghai in 1999 and has 3.5 million registered users who trade a variety of items from clothing and antique calligraphy to computers and real estate. (March 18, 2002)

Legend, China's largest PC manufacturer, has announced that it plans to invest RMB3bn (US\$363m) in the real estate sector, as part of an attempt to readjust its overall business structure. Legend believes that it needs to diversify its business, rather than focusing on personal computer production. It will make the investment through a holding subsidiary, which has real estate businesses in Huizhou and Shenzhen cities, in southern China's Guangdong Province. (March 18, 2002)

LG Electronics Inc is set to develop its Chinese base into a global R&D hub as it is scheduled to open the Electronics R&D center in China covering **LG Micron**, **LG Innotek**, **LG Philips LCD** and **LG Philips Display**. The Korean player plans to increase its R&D workforce in China to 1,000 over the next 10 years from the current 50 researchers. Based in Beijing, the center will research and develop CDMA handsets & equipment, digital TV and digital display products. (March 8, 2002)

TOM.COM Ltd, a cross-media specialist in Hong Kong, announced that it will extend its operations in China through the acquisition of a 60% stake in **New Star Prosperity Advertising Company's** outdoor advertising business. New Star Prosperity Advertising Company is the biggest outdoor advertising company in Dalian, Liaoning province. New Star's core outdoor media assets, which are currently achieving a 90% occupancy rate, are unipoles, giant billboards and light boxes, with advertising space totalling 8,000 sq m. The

purchase price for this transaction is RMB67m (US\$8m), of which 28% will be paid in cash and the remainder will be paid through the issue of 8 million new TOM.COM shares worth HK\$5.51 (US\$0.70) each. Including this acquisition, TOM's nationwide outdoor media network in China will consist of eight companies covering 22 cities. (March 1, 2002)

INDIA

Bharti Tele-ventures Ltd, an Indian telecommunications company, has signed an MoU with **Telia**, a Swedish communications firm, to acquire Telia's 26% stake in **Bharti Mobile Ltd**, valued at US\$60m. Bharti Tele-ventures Ltd had acquired 74% of Bharti Mobile Ltd In 1999. Therefore, this acquisition will complete Bharti Tele-ventures' 100% ownership in all its mobile, fixed line, long distance and broadband operating companies. (March 20, 2002)

Invensys plc, a UK-based international production technology and management group, has announced that it plans to increase its investment in India, including further investment in **BaaN Development Centre**. It proposes to invest US\$30m in India over the next three years. The BaaN development centre at Hyderabad is engaged in the development of software for ERP, financials, migration, aerospace and defence, database drivers and e-payments. **BaaN** is a global provider of B2B collaborative commerce solutions and a unit of the production management division of Invensys plc. BaaN started India operations in 1988 while BaaN development centre's Hyderabad operations were initiated in 1995 with a team of 40 people. It has gradually increased its professional strength to about 300. (March 21, 2002)

Tata Consultancy Services (TCS), India's largest software exporter, announced that it plans to set up a software development center in Melbourne, Australia. The center will provide support and service to its clients in Australia and the Asia-Pacific region. The center will employ 200 software professionals. This is in addition to its current 150 employees in Australia. TCS, a division of **Tata Sons Ltd**, the holding company of the **Tata Group**, has 141 offices in 24 countries and participates in

projects for its clients in 50 countries employing 18,000 software professionals. (February 25, 2002)

Wipro Technologies, the global information technology services division of **Wipro Limited** of India, announced that it will set up a Global Development Center for US-based **Corona Networks**. Through this tie-up, Corona will get the benefit of leveraging Wipro's technology expertise for product development. The offshore Development Center will provide Corona with the necessary infrastructure, communication facilities and process streamlining, thus benefiting from significant cost savings. Corona Networks is a developer of next generation network-based edge aggregation and intelligent IP service platforms. (March 6, 2002)

INDONESIA

Indonesia and **India** have agreed to cooperate in the development of **Software Technology Parks (STP)** in a number of cities in Indonesia. The two countries also are studying a plan to establish JVs involving software companies. The Indonesian government has encouraged the development of STP. The government will play the role of facilitating the implementation of this program and it will be carried out by private companies. The agreement was signed in New Delhi in January 2002 between **the Indonesian Association of Computer Software** and **the Indian Electronics and Computer Software Export Promotion Council**. (February 28, 2002)

PT Telkom, a state-run telecom operator in Indonesia, and **PT Para Intiholdindo**, a communications network provider, have signed an MoU on cooperation in data network and communications. Under the agreement, Para Intiholdindo will build a communications network between Telkom's branch offices throughout Indonesia. These companies will also cooperate on the development and implementation of Para Intiholdindo's data network, as well as the national call center system, and other infocom services. (March 1, 2002)

Singapore Telecom Ltd (Singtel) announced that it signed a marketing alliance with **BiZNET**, an

Indonesian ISP, to resell both companies' Internet and managed hosting services in Indonesia and across the Asia-Pacific markets where SingTel operates. Its collaboration with BiZNET enables SingTel to enhance its data center networks in the region. SingTel operates data centers in Australia, Hong Kong, Japan, Singapore, Korea, and Taiwan. Together with BiZNET, SingaporeTel will also offer managed hosting services in Indonesia, Malaysia and Thailand. (February 28, 2002)

JAPAN

Best Denki Co, a Japanese consumer electronics retailer, and two **Softbank Corp** group companies announced that they agreed to form a JV to sell Softbank group's broadband services. The new venture, **Best BroadBand Corp**, will be owned 60% by Best Denki, 30% by **Softbank Commerce Corp**, and 10% by **BB Technologies Corp**. Under the agreement, the new venture will sell *Yahoo BB*, an ADSL high-speed Internet access service operated by BB Technologies, at 150 of Best Denki's stores. Best BroadBand will also sell BB Phone, a less expensive Internet protocol-based phone service, at 100 Best Denki stores. The Best Denki stores will have their own Yahoo BB corner providing information on the broadband services, they said. (March 2, 2002)

Cyota, a US payment security company, announced that it will form a new marketing partnership with, **Wave Inc (IWI)**, a Japanese credit card software developer. IWI is the largest developer of credit card software in Japan, holding a 70% market share. Under the agreement, IWI will first start sales of Cyota's Verified by Visa product - *Cyota SecureVbV* and *the Cyota SecureSuite(TM) platform*. *SecureVbV* is the first part of its *SecureSuite* integrated online payment security platform for authentication and credit card security products, including *Verified by Visa*, *MasterCard SPA* and Cyota's surrogate number solution, *SecureClick*. (March 1, 2002)

Fujitsu Ltd, Japan's largest computer maker, announced that it will spin off its LCD division and set up a wholly owned subsidiary by combining it with **Yonago Fujitsu Ltd** in June 2002. About 200

employees currently handling LCD-related operations at Fujitsu will be transferred to the new subsidiary, which will have a staff of 750, including Yonago Fujitsu's employees. The new subsidiary will specialize in producing and selling large, high-precision panels for use in CAD operations, medical equipment and other electronics equipment. Fujitsu hopes this move will help its LCD operations return to profitability in the next fiscal year. (March 19, 2002)

Hitachi Cable Ltd announced that it will convert its copper-wire JV, **Hitachi Seisen KK**, into a subsidiary by increasing its ownership to 80% from the current 50% in July 2002. With demand for copper wires slowing, Hitachi Cable initiated cost cutting measures at the subsidiary, which currently includes **Nippon Mining & Metals Co** among its shareholders. Hitachi Cable will transfer production facilities from its plant in Toyoura, Ibaraki Prefecture to the new subsidiary (March 27, 2002)

Hitachi Ltd, a Japanese electronics company, and **Mitsubishi Electric Corp** announced that they will form a JV to integrate their semiconductor businesses relating to large-scale integrated circuit chips (LSI chips). The deal will create the third-largest LSI manufacturer in the world, after Intel and Toshiba Corp. The JV will cover the development, design, production and marketing of system LSI chips, which are expected to come into greater demand as the expansion of mobile phones and digital home appliances continues. The new JV will be equally owned by the two firms, and its annual sales are projected to reach about ¥700bn (US\$5bn). (March 19, 2002)

Mitsui & Co, a distributor of networking equipment, and **Atoga Systems**, a US vendor of tunable metro DWDM systems, have entered into a strategic relationship agreement. Mitsui & Co will bring Atoga's *Optical Application Router [OAR]* family of metro DWDM platforms to market in Japan. In addition to the reseller agreement, Mitsui has also made a strategic investment in Atoga. (March 6, 2002)

Qualcomm Inc, a US communications company, announced that it has partnered with **KDDI Corp**, a Japanese telecommunications carrier, on the use

of Qualcomm's Binary Runtime Environment for Wireless (BREW). KDDI will use the technology to offer various cellular phone services and will market a new cell phone handset equipped with a Global Positioning System that identifies a user's current location and instantly displays the route to the next destination. KDDI, which trails **DoCoMo** in this field, hopes this partnership with Qualcomm will help popularize its new service. Seventeen cell phone companies worldwide, including **Verizon Wireless Inc** of the US and **Korea Telecom Freetel Co** of Korea, have so far decided to employ Qualcomm's BREW technology. (March 11, 2002)

Sharp Corp, a Japanese consumer electronics manufacturer, announced that it will start supplying mobile phones with colour LCD displays to major US carrier **Verizon Wireless Inc**, marking the Japanese company's first mobile phone sales to an overseas carrier. Sales of the handsets, which use the CDMA technology that is standard in the US, will begin in the end of March 2002. The phones will be compatible with content developed on the Binary Runtime Environment for Wireless (BREW) platform developed by US firm **Qualcomm Inc**. (March 20, 2002)

Sony Corp, a Japanese electronics giant, announced that it has agreed to take full control of its troubled audiovisual (AV) electronics subsidiary **Aiwa Corp** through a share swap. Aiwa had no choice but to seek financial support from its parent company due to creditor banks' tough lending conditions and a slump in the stock market price. The subsidiary's fixed costs and workforce will be further reduced from the levels set out in a previous restructuring programme. Under the restructuring plan, Aiwa is due to close all but one of its nine factories - five in Japan, and one each in Indonesia, the UK and Malaysia by March 2002. Sony plans to make the best use of Aiwa to boost Sony's total corporate value, and it stressed Aiwa first implements restructuring to return to profitability. The fresh restructuring will cost Aiwa ¥20bn (US\$150m) to ¥30bn (US\$225m). (February 28, 2002)

KOREA

Anam Semiconductor Inc., an integrated circuits manufacturer in Korea, announced that it has formed a strategic alliance with **Aralion Inc.**, a Korean Application Specific Integrated Circuit (ASIC) designer, for mass production of at least 3 million units of next generation storage chipsets a year. The non-memory storage chipsets jointly developed with Aralion are key components in storage systems and in increasing computer security and speed. Anam expects to export 3 million chipsets worth US\$15m in 2002. (March 18, 2002)

North Korea will launch an Internet lottery site targeting international patrons in March 2002 in a JV with a South Korean software company. The site, www.dprkorealotto.com, is operated by the **Korea Internet Lottery Program Joint Co.** The JV is set up by **Hoonnet** of South Korea and the North's **Pan-Pacific Economic Development Association of Korean Nationals** and **Korea Jangsaeng Trading Corp.** Users can purchase lottery tickets upon registration on the Internet site and pay for the tickets with credit cards or cash. The JV will remit money directly to the winners' accounts, with no taxes on lottery prizes. The site also enables users to exchange e-mails with people in North Korea, and it is the first Internet site ever to provide that service. The investment of this JV is US\$1m and profits from the lottery business will be divided, with 51% to Jangsaeng, 30% to Hoonnet and 19% to the Pan-Pacific association. (March 22, 2002)

Samsung Electronics announced it will make an additional US\$200m investment in the Philippines to expand its semiconductor plant. The new plant will increase output of optical disk drives and liquid crystal displays over the next three to five years. Samsung Electronics started its Philippines operations in October 2001. Its existing plant has the capability of manufacturing 10 million optical disk

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drives a year. The entire output is exported to Korea, Japan and the US. (March 22, 2002)

SINGAPORE

Creative Technology, a multi-media solutions provider based in Singapore, made a strategic investment in **3Dlabs Inc.**, a supplier of integrated hardware and software graphics accelerator solutions in the US. Creative acquired a 28% stake in 3Dlabs and spent US\$103m on the transaction. The company conceded that the price is on the high side but is justified because of the huge potential of the graphics products which 3Dlabs is offering. 3Dlabs has a 62% market share in the high-end professional graphics sector. (March 11, 2002)

IBM has established a software laboratory in Singapore. The laboratory will help train Independent Software Vendors (ISVs) to develop applications based on *WebSphere*, middleware which enables companies to develop and deploy small- to large-scale applications from simple Web publishing to complex e-commerce engines. IBM has identified four companies, **Infifax Services**, **Mykenae**, **PeridotHealth Systems** and **Synergix Technologies**, which will utilize its center. These firms are also part of the Singapore government's Innovation Local Industry Upgrading Program (ILIUP), where multinational companies help local firms gain exposure to cutting-edge technologies and international marketing expertise. IBM currently has laboratories in China, India and Japan, which test and deploy various software solutions. (February 27, 2002)

TAIWAN

eBay Inc., a US Internet auction company, announced it will acquire Taiwan's **NeoCom Technology Co** for US\$10m to develop its Asian operations. NeoCom operates two of Taiwan's largest auctions sites, **bid.com.tw** and **ubid.com.tw**. eBay says it perceives Taiwan as a great opportunity, because Taiwan is the third largest

e-commerce market in Asia, and the ninth biggest in the world, with 7 million online users. The deal is expected to be finalized by the end of H1 2002. After the acquisition, eBay will provide Taiwan users an improved web site, greater trading opportunities as well as access to eBay's global marketplace of 42 million registered users. (February 26, 2002)

SingTel Internet Exchange (STiX), its main Internet bandwidth provider. The deal is part of VDC's plans to increase the traffic capacity of its Internet gateways from 50 Mbps to 135 Mbps by the end of 2002. VDC, which has a 65% share of the Internet subscriber market in Vietnam, uses SingTel's *SEA-ME-WE 3* submarine cable to link Vietnam and Singapore, allowing local companies to route their communications to destinations within the Asia Pacific without going through the Internet core in the US. (March 20, 2002)

VIETNAM

Vietnam Datacommunications Company (VDC), Vietnam's largest Internet service provider, has signed an agreement making Singapore-based

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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 the offices below.

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