

# ASIAN TECHNOLOGY NEWSLETTER

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## CHINA/HK

**Agilent Technologies**, a technology and life sciences company, announced that it will open a new telecommunications R&D center, **Communications Operation (CCO)** in Beijing. CCO plans to push its R&D efforts on the region's growing wireline and wireless communications industry. The CCO will focus on telecommunication application development and installation, maintenance and operations support for Agilent's customers in Asia. It will also be involved in application developments and manufacturing of test software for the wireless sector. Agilent is one of the largest suppliers of electronic test and measurement products. It also manufactures semiconductor products and RF chipsets. (December 12, 2002)

**China United Telecommunications**, China's second largest mobile operator, announced that it has signed a framework accord with **SK Telecom**, the largest mobile operator in Korea, to form a JV to provide wireless Internet services in China. Upon completion of the deal, it will be the first Sino-foreign JV in China's telecoms industry since China joined the World Trade Organisation (WTO) in December 2001. The framework agreement also helps China United Telecommunications expand its wireless data business. China United will hold a 51% stake in the JV, with SK Telecom holding the remaining 49% stake. The new JV plans to develop its own wireless Internet platform, applications, software, billing systems and content management systems for China Unicom users. (January 17, 2003)

**Fedders Corporation**, a manufacturer of air treatment products in the US, announced that it will form a JV with **Suning Appliance Group**, the largest seller of split-type air conditioners in China,

## 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

to penetrate the Chinese air conditioner market, which is the largest split-type air conditioner market in the world. Fedders will hold a 67% stake in the JV and Suning will have the remaining 33%. The JV plans to manufacture air treatment products, including air conditioners, air cleaners, dehumidifiers and humidifiers and thermal technology products. (January 27, 2003)

**Kyocera Corp**, a manufacturer of electronic components, semiconductor parts and telecommunications equipment in Japan, announced that it will set up a JV in Tianjin, China, in February 2003. Capitalized at about Y1.2bn (US\$10m), the new JV will be 49% owned by Kyocera and 51% by a Chinese group, which controls 96 state-owned firms in Tianjin. The new JV will import fine ceramic and electronic parts and components, copiers, solar batteries and decorative ornaments from Japan, and will also offer repair and maintenance services. It will be operational in March 2003, and targets annual sales of over Y10bn (US\$84m) in the first year. (January 5, 2003)

**Legend Group Ltd**, the Hong Kong-listed affiliate of the Legend Group of China, announced that it has formed a telecom IT service JV with **Chinaweal Business Machinery Co Ltd**, an Internet solutions provider serving telecommunications companies in China. Under the agreement, Legend will acquire part of the business and assets of Chinaweal, and has agreed to pay HK\$60m (US\$7.7m), with a further investment totaling US\$220m. The new JV, to be named **Chinaweal System and Services Co Ltd**, will provide consulting services, application solutions and value-added operations to telecom companies in China. (December 18, 2002)

**PacificNet Inc**, a Hong Kong-based IT solutions company, announced that it will establish a JV with **International Elite Ltd**, a Chinese telecom service company, to expand its telecom services into China. The new JV, to be called, **PacificNet Communications**, will provide call center services, telemarketing, CRM, database, wireless communications, mobile applications, paging, roaming, *Short Messaging Services (SMS)*, mobile commerce and *VoIP* services. PacificNet will own 50.1% of the JV while the five shareholders of International Elite will own the remaining 49.9%. Through the new JV, PacificNet plans further

strategic moves into China to increase its customer base and to improve revenue and profit levels. PacificNet, formerly known as PacificNet.com, develops custom-made e-commerce software applications and provides telecommunications network services. (December 23, 2002)

**Samsung Electronics**, a Korean semiconductor and electronics company, announced that it will invest up to US\$681m to expand the *large-scale systems integration (LSI)* assembly line in Suzhou. The investment is in line with Samsung's plan to become one of the world's top five non-memory chipmakers. It plans to develop five next-generation products, including mobile cameras, optical disks, smart cards, display driver IC and personal network chip sets in China. (January 17, 2003)

**Sony Corp**, a Japanese electronics company, announced that it will construct a plant to assemble small *LCDs* in China in an effort to reduce labor costs and increase its market share in China. Designated to assemble small, high-temperature polysilicon displays for digital still and video cameras, the new plant will be built adjacent to an existing Sony factory that produces lithium ion batteries and *LCD* projectors. Sony plans to invest approximately Y500m (US\$4m) in the new facility. Operation is expected to begin in October 2003 with 200 staff, and output is targeted at 600,000 *LCD* units a month by March 2004. (January 20, 2003)

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## INDIA

**Hitachi Home & Life Solutions Inc (HHLS)**, a wholly owned subsidiary of **Hitachi Ltd**, a manufacturer of electronics and electrical equipment in Japan, announced that it plans to acquire an additional 19.4% stake in **Amtrex Hitachi Appliances Ltd** from its JV partner, **Lalbhai group**. Upon completion of this deal, HHLS will become the largest shareholder of Amtrex Hitachi, increasing its stake from 35.2% to 54.6%. The remaining 45.4% stake will be held by the public and financial institutions and banks. Amtrex Hitachi is engaged in the manufacture and sales of air conditioners in India. Hitachi has provided its Indian

JV with technology support for air conditioners since 1990 through a series of collaboration arrangements. (December 27, 2002)

**Singapore Computer Systems Ltd (SCS)**, a Singapore-listed systems integrator, announced that it has signed an agreement to acquire a 30% stake in **Kshema Technologies Ltd**, a Bangalore-based software services company, for a total consideration of US\$9.2m. SCS aims to strengthen its market presence in India through its investment into Kshema. Kshema reported a net profit of Rp122.9m (US\$2.6m) on sales of Rp560.7m (US\$12m) in FY2002. (January 9, 2003)

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## INDONESIA

**PT Telkom**, an Indonesian state telecom company, and the consortium of **Samsung Electronics** and **Ericsson** have signed a Master Procurement Partnership Agreement (MPPA) to construct a fixed-wireless project applying the *CDM-2000-1X* system. The agreement is based on a working contract covering 42 months until mid-2006, and will include the construction of 1,656,300 telephone lines across Indonesia with each line costing US\$34. (January 2, 2003)

**Toshiba Corp** and **Matsushita Kotobuki Electronic Industries Ltd**, two Japanese electronics companies, announced that they will jointly build a manufacturing plant to produce hard disc drives (HDDs) in Indonesia. The two electronics companies will produce HDDs of 1.8 and 2.5 inches in Batam, an island adjacent to Singapore in early 2003, encouraged by strong global demand for small-sized HDDs. (January 23, 2003)

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## JAPAN

**Hitachi** announced that it will acquire **Armonk**, **IBM's** hard drive business, for US\$2.05bn.

According to the original agreement, signed in June 2002, Hitachi paid 70% of the purchase price to IBM, and agreed to pay the remainder to IBM over the next three years. The new company, to be based in San Jose, California, will be named **Hitachi Global Storage Technologies** and will be managed by an independent team of executives from Hitachi and IBM's HDD operations. Hitachi Global Storage Technologies will employ 24,000 staff, 18,000 from IBM and 6,000 from Hitachi, and will have manufacturing operations at 11 locations around the world. (January 2, 2003)

**Hewlett-Packard Co**, a US technology company, and **NEC Corp**, a Japanese electronics company, announced that they will form an alliance to jointly provide computer services to companies in China, Japan and the US. The two companies also signed an MoU to form a JV to offer IT outsourcing services. Both companies plan to set up a joint marketing team in January 2003 and aim to form a JV within a year. NEC and HP have already been cooperating on a commercial level, such as in banking systems. (December 12, 2002)

**Sony Corp**, a Japanese consumer electronics manufacturer, announced that it will consolidate its two subsidiaries, **All Inc** and **Sony Network Contents Corp**, in a move to distribute online content, which was initially developed for broadcasters, via broadband communications. The merger will be effective from March 2003. The newly merged company will be capitalized at Y3.49bn (US\$29.5m), 63% of which will be held by Sony. All currently distributes more than 30,000 titles, including movies and animation films, to Internet service providers, and about 1.4 million households have access. The new company will feature a distribution system that hopes to break down the barrier between the broadcasting and communications industries, delivering, for example, material originally developed for broadcasting over interactive Internet. (December 20, 2002)

**Toshiba Corp** announced that it will form a JV with **Alpine Electronics Inc**, a manufacturer of car audio and car navigation systems in Japan, to expand its fledgling auto systems business. Toshiba will have a 51% stake in the JV and Alpine will hold the remaining 49%. The JV will develop car audio and car navigation systems to link outside broadcasts

and communications networks with car-equipped devices. These systems will enable passengers to receive digital broadcasts and control digital home appliances while inside their cars. The JV targets Y15bn (US\$126m) in sales by FY2008. (January 16, 2003)

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## KOREA

**Cimatron Ltd**, a developer of *CAD/CAM* solutions for the tooling industry in Israel, announced that it will form a JV company with **JY Solutec Co Ltd**, Korea's largest plastic mold company serving the electronics industry, effective from January 2003. The new JV, to be named, **Korea Cimatron Technologies Co Ltd** will market and distribute *QuickNC* in Korea. *QuickNC* is Cimatron's *CAM* package with preview technology that claims to save over 75% in tool manufacturing process-planning time. The software allows operators to calculate toolpaths just once, minimizing the need for a simulator. (January 16, 2003)

**Hanaro Telecom Inc**, a telecom operator in Korea, announced that it will acquire a 71.95% of smaller rival **Thrunet Co** in a bid to compete with market leader **KT Corp**. It has signed an accord with **Trigem Computer**, Thrunet's largest shareholder and seven other companies to purchase the stake in Thrunet for W125.9bn (US\$104.8m). Hanaro will finance the transaction by issuing W194.9bn (US\$162.4m) of convertible bonds. The merged company is expected to have 4.36 million subscribers, or 42.5% of the local high-speed Internet market in Korea. (December 30, 2002)

**Hynix Semiconductor Inc**, the world's third-largest computer chipmaker, announced that it has agreed to sell a 47.34% stake in its affiliate **Imagequest Co**, a display equipment-making unit of Hynix, to a consortium led by **GBSynerworks**, which specializes in corporate turnarounds, for W45bn (US\$37m). This divestment is the latest move in Hynix's effort to spin-off non-core businesses in order to keep its mainstay business alive. Hynix's stake in Imagequest will be transferred to the consortium by the end of January 2003, and the

proceeds from the asset sale will be paid to Hynix on an installment basis over the next nine months. Imagequest, spun off from Hynix in August 2002, produces display equipment such as *LCD* monitors and *CDT*. (December 31, 2002)

**NCsoft**, an online game operator in Korea, announced that it has agreed to acquire **ArenaNet**, a Seattle-based game development studio, for W18.7bn (US\$15.6m). To finance this acquisition, NCsoft will issue overseas convertible bonds worth W7.9bn (US\$6.6m) and the bonds will be purchased by the three core developers of ArenaNet. This acquisition is aimed to strengthen development capabilities of NCsoft's online gaming products. ArenaNet was a key developer in creating hit computer games such as *Warcraft*, *StarCraft* and *Diablo*. (December 12, 2002)

**Samsung Electronics Co** announced that it will invest US\$1.2bn in semiconductor plants in Korea to upgrade its memory chip facilities. Samsung plans to produce memory chips by processing *12-inch silicon wafers*. The *12-inch wafer* technology yields more than twice as many chips as an eight-inch wafer, which is the current standard for the semiconductor industry. By moving into the new technology, Samsung aims to increase its production capacity and lower its production costs. By 3Q of 2003, Samsung plans to start mass production of *DRAM* and flash memory chips at the new facilities to be located in the south of Seoul. (December 31, 2002)

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## MALAYSIA

**AIC Corporation Bhd**, a Malaysian semiconductor company, announced that it will finalize its JV agreement with a Korea-based company, **MTN Inc**, to manufacture multimedia display products. Upon successful completion of deal, the new JV will produce *LCD* screens, monitors and *Thin Film Technology (TFT)* screen. The new JV is aimed at broadening AIC's customer and product base. AIC will hold a 60% stake, while the remaining 40% will be held by MTN. The new JV will also carry out joint-marketing of its products to China and Korea,

while AIC distributes the products to other parts of the region. MTN's core business is in R&D, design manufacturing, marketing and sales of multimedia display products and multimedia computers and marketing of software products. (December 24, 2002)

**ATIS Corp Bhd**, an industrial solutions provider for electrical and electronic materials in Malaysia, announced that it has acquired the entire stake in **GEIC Technology Sdn Bhd** through its wholly-owned subsidiary **KVC Electric (M) Sdn Bhd (KVCM)**. GEIC is involved in the distribution and supply of electronic components in Malaysia. Upon completion of this deal, GEIC will become a wholly owned subsidiary of Atis by virtue of a 100% indirect interest through KVCM. GEIC will provide an additional platform for the Atis Group to expand into the electronic components market. Atis aims to leverage on GEIC's nationwide distribution network to provide its technical support and infrastructure to its customers more effectively. (January 8, 2003)

**Hyundai MultiCAV**, a Korean PC manufacturer, announced that it has signed an MoU with **Metrexus**, a Malaysian local enterprise, to form a JV in Malaysia. Hyundai MultiCAV aims to sell 80,000 personal computers in Southeast Asia and the Middle East via the JV. The JV contract also includes a delivery of PCs to the Malaysian government in early 2003. (December 27, 2002)

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## PHILIPPINES

**Concepcion Industries Inc**, a privately-owned local company engaged in the electronics and industrial appliances business, has announced that it will form a JV with its affiliate **Concepcion Carrier Airconditioning Co**, an air-conditioning

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manufacturing JV between Concepcion Industries Inc and **Carrier**, to distribute **Toshiba's** consumer electronics products in the Philippines. With the new JV, the two Concepcion businesses will become an exclusive distributor of Toshiba's products in the Philippines, and will market Toshiba's refrigerators, air conditioners and washing machines in the country. (January 22, 2003)

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## SINGAPORE

**Singapore Computer Systems Ltd (SCS)** announced that it has sold a 62% stake in **EC1 Pte Ltd** to its JV partner **Global eXchange Services (GXS) International Inc**. EC1 is a company formed as a JV in Singapore between SCS and GXS. The company is engaged in the business of managing a regional electronic commerce center, provision of consultancy services and distribution of e-commerce enabler technology. With this share deal, SCS's stake in ECI has been reduced from 81% to 19%. (January 3, 2003)

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## TAIWAN

**ALi Corp**, a Taiwanese chip designer and a member of the **Acer Group**, has announced that it will spin-off its computer chipset business into an independent company in January 2003 to focus on digital video chip technology. ALi will hold a 30% stake in the new company, while the remaining 70% stake will be held by selected strategic investors, including **ATI Technologies Inc**, **Nvidia Corp**, **Silicon Integrated Systems (SiS)** and **United Microelectronics Corp (UMC)**. (January 8, 2003)

**Royal Philips Electronics**, a global electronics company, and **Accton Technology**, a manufacturer of computer peripherals in Taiwan, announced the signing of an LOI to merge their respective wireless connectivity module activities into a new JV

company. The transaction is expected to complete in H1 of 2003. The new JV company will be headquartered in Hsinchu, Taiwan, with 200 staff, and targets annual revenues of between US\$200m and US\$250m. It will provide wireless products for design-in OEMs and add-on infrastructure to the ISP, consumer electronics, enterprise, PC and mobile phone industries. Philips and Accton will have approximately equal stakes in the JV and share the board seats. The management team will consist of key Accton and Philips managers. (January 10, 2003)

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## THAILAND

**Dacom**, a Korean telecom operator, announced that it will form a JV with **Asianet Corp**, a Thai Internet service provider affiliated with **TelecomAsia Corp Plc**, Thailand's largest private fixed-line operator, to operate an Internet Data Center (IDC) in Thailand. The new JV is expected to be launched in June 2003. Dacom will provide the JV with infrastructure and technology, as well as operational and technical support for the Internet services. Dacom aims to use the JV as a base to introduce its fixed-line Internet connection service in Southeast Asia, including Vietnam. (January 1, 2003)

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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 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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