

# 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

**Achieva Group**, a Singapore-based holding company, announced that its unit **Achieva Investments** and **Beijing Stone New Technology Co** have recently signed a JV agreement to establish a JV company for the design and manufacture of computer peripherals in China. The JV company, called **Beijing Stone Computer Co Ltd**, will be owned 49% by Achieva Investments and Beijing Stone, which is 75% indirectly owned by **Stone Electronic Technology Co**, will hold a 51% stake. Beijing Stone Computer will have an issued and paid capital of RMB50m (US\$6m). (May 23, 2002)

**Advanced Systems Automation Ltd**, a manufacturer of back-end production equipment for the semiconductor industry, announced that it has acquired 61% of **Acetech Solutions Ltd**, a Hong Kong-based semiconductor equipment manufacturer, after subscribing to 732,000 of the Acetech Solutions's shares at HK\$1 (US\$0.12) each. Acetech will help develop the China market for Advanced Systems. (May 16, 2002)

**Ericsson** announced that it will establish its Chief Research Center in China. Upon the establishment of the Research Center, Ericsson will integrate its existing research centers and project resources to improve technology exchange and collaboration among its research centers. The Chief Research Center will also collaborate with colleges and research institutions to develop new telecom technologies. Ericsson currently has six research centers in China. (May 24, 2002)

**Flextronics International**, the world's second largest EMS provider, announced that it is constructing a new plant in China. The company started its plant construction in April 2002 on a 112-

## 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.

Please visit our website [www.bdallc.com](http://www.bdallc.com) or contact me at [ahuntley@bdallc.com](mailto:ahuntley@bdallc.com) to learn more about our services.

Andrew Huntley  
Managing Director

acre complex in Shanghai. The new Shanghai plant will be larger than its existing South China plant and will house 2.5 times Flextronics' current production capacity. Flextronics' other facilities in China may also be relocated to Shanghai. Upon completion, more than 60% of Flextronics' Asian manufacturing capacity will be based in China. (April 11, 2002)

**Jabil Circuit Inc**, a designer and manufacturer of electronic circuit boards and systems in the US, announced that it will acquire most of the assets and the business of and **Lucent Technologies of Shanghai Ltd (LTOS)**, including a 325,000 sq ft manufacturing facility in Shanghai. LTOS is a JV between **Lucent Technologies (China) Co Ltd**, **Shanghai Optical Communications Development Co Ltd**, **Shanghai Posts & Telecommunications Equipment Co Ltd** and **Shanghai Jiu Shi Corporation**. Jabil will continue to manufacture optical switching and other communications infrastructure products for Lucent from the acquired facility under a three-year supply agreement. (April 21, 2002)

In an internal restructuring, **Langchao Soft**, a Chinese software developer, announced that it plans to buy a stake in **LG Electronics'** handset JV, **Langchao LG Digital Mobile Communications Co**, for RMB85.94m (US\$10.3m) by buying a 46% stake from its parent company, **Langchao Group**. Langchao aims to profit from China's booming mobile telecommunications market. This move will make Langchao Soft the second largest shareholder in Langchao LG Digital Mobile Communications Co, which makes up to 100,000 handsets each month. LG Electronics currently controls 49% of the handset JV. The JV was set up in January 2002 and supplies handsets to **China Unicom**, China's second largest mobile operator. (May 22, 2002)

**Solectron Corporation**, a provider of electronics manufacturing and supply-chain management services, announced that it has expanded its after-sales service presence in Beijing, Shanghai and Hong Kong by acquiring the assets of **NC&C**, a privately-owned component repair company in China. Solectron will initially provide component repair services for computing, peripherals and point of sales equipment, including servers, desktop PCs, notebooks and workstations. In the next few months, Solectron will expand these services to other markets such as cell phone, telecom

infrastructure and LCD. NC&C's customers include **BlueExpress, IBM, HP, Compaq** and **Apple Computers**. (May 9, 2002)

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## INDIA

**Electronics For Imaging (EFI)** of the US acquired **Unimobile**, an Indian wireless messaging company, for US\$2.5m. Founded in 1996 in Bangalore, Unimobile was later incorporated in the US and has received US\$16.7m in funding since 1999. This low acquisition price reflected the depressed market environment. Unimobile will function as a division of EFI through this acquisition. (May 11, 2002)

**Fujitsu Software Corporation** of Japan formed a strategic alliance with **Zensar Technologies**, an IT solutions provider in India, to provide systems integration services on Fujitsu's Interstage e-Business platform. Under this agreement, Zensar joins Fujitsu's centre stage partner program and gains access to Fujitsu's technology, support and expertise. In turn, Fujitsu will gain an exposure to Zensar's customer base in the US, India and other global markets. (May 31, 2002)

**LG Electronics India Ltd**, a subsidiary of the Korean electronics company, announced that it will invest US\$100m in the expansion of its manufacturing capacity in India for television sets and washing machines. The company will also explore the possibility of making Indian operations a sourcing base for overseas markets. LG Electronics has already invested US\$110m in its Indian subsidiary. (May 28, 2002)

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## INDONESIA

**Indosat**, a state-run international telecom service announced that it has bought **Deutsche Telekom's** 25% stake in its cellular operator unit **Satelindo** for US\$325m. Deutsche Telekom, Europe's largest telecommunications company, will use the funds to reduce its debt load. (May 16, 2002)

**PT Telekomunikasi Indonesia** announced that it

will sign an MoU with 12 unlicensed *Voice over Internet Protocol (VoIP)* operators in Indonesia to jointly run *VoIP* operations. The 12 operators are identified as **BitNet, Central Online, Centrin, Dnet, ElgaNet, Estiko Ramanda, JasintaNet, InfoAsia, MelsaNet, Pasific Link, PrimaNet** and **Telesindo**. *VoIP* is an Internet-based call service which enables users to make long distance calls at much cheaper rates than fixed line services. (May 17, 2002)

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## JAPAN

**CSK Corp**, a listed systems integration company in Japan, announced it is acquiring a data center building and its 12,941-square-meter piece of land from **UFJ Trust Bank**. CSK and UFJ Trust Bank, are were due to sign the formal contract at the end of May 2002. The financial terms of this deal were not disclosed. The new data center is based in Inzai, Chiba Prefecture, and CSK plans to provide computer system management and other IT business services. (May 20, 2002)

**Flextronics** and **Casio Computer Co Ltd**, a consumer electronics company, announced a contract manufacturing agreement in which Flextronics will manufacture various Casio's electronic products. The agreement includes a purchase of Casio production facility in Shah Alam, Malaysia. In addition, Casio will sell its manufacturing operation in Aichi Japan, excluding land and building. The contract also involves Flextronics' acquisition of certain equipment from Casio's factory in Kluang, Johor, Malaysia. The value of the agreement is estimated to exceed US\$1.5 billion over a three-year period. (May 14, 2002)

**Hitachi Ltd** announced that it has acquired linear accelerator maker, **AccSys Technology Inc** of US, taking an 80% stake in the company for US\$6.4m. AccSys holds the basic patent for equipment used for the initial acceleration of protons, known as injector linear accelerators, which are employed in cancer radiation treatment systems. Hitachi plans to incorporate AccSys' technology in its own proton cancer treatment system, known as *Probeat*. Until now, Hitachi has licensed the technology from AccSys. Hitachi's *Probeat* system, currently

installed at Tsukuba University, is under application for approval by Japan's Health Ministry. (May 30, 2002)

**Kyocera Corp**, a producer of advanced ceramics in Japan, announced that it will acquire **Toshiba Chemical Corp** through an exchange of shares in August 2002, and turn the firm into a wholly owned subsidiary. By combining both firms' manufacturing and development technology in chip-related parts, Kyocera seeks to develop high-value-added component materials for microprocessors used in mobile phones, personal computers and servers. Following the exchange of shares, Toshiba Chemical will be de-listed. (May 2, 2002)

**Toshiba Corp** announced that it will set up a laptop computer plant in Hangzhou, Zhejiang Province, eastern China, in June 2002. The company has already acquired 400,000-sq-m land for the plant. Toshiba will set up laptop manufacturing unit, **Toshiba Information Equipment (Hangzhou) Co** to be capitalized at Y900m (US\$7.2m), which is expected to start production in April 2003 with 1,700 employees. Toshiba will launch another subsidiary, **Toshiba Hangzhou Co**, with capital of Y550m (US\$4.4m) in June 2002 to manage the plant site. The new plant is expected to produce 750,000 units of laptop computers annually, most of which will be exported to other countries. (May 17, 2002)

**Toshiba Corp** announced that it will invest Y4bn (US\$32m) to increase its stake in US cellular phone manufacturer **Audiovox Communications**, from 5% to 25% in June 2002. Toshiba, which supplies cell phones to Audiovox on an OEM basis, aims to expand shipments to North America through enhanced ties with the U.S. firm. Toshiba hopes to increase annual OEM shipments to 8.5 million handsets by 2004, from the current 2.6 million. (June 1, 2002)

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## KOREA

In a radical breakthrough for one of the world's most isolated societies, **Hoonnet**, a South Korean softwaret company, announced that it recently opened an Internet cafe in Pyongyang, North Korea. This is the first Internet café in North Korea, and it

is equipped with 10 computers and amenities such as billiard tables and table tennis, and offers free beverages. The basic fee for the Internet café is US\$50 for 30 minutes, with an additional US\$10 charged for 10 minutes thereafter. The company noted that most North Korean citizens will not be able to afford to use the Internet cafe because of the high fees. The average monthly wage of North Korean workers is US\$28 to US\$46. (May 27, 2002)

**Hyundai Information and Technology (HIT)** announced that it has won a contract to upgrade Pakistan's central banking systems. HIT first bid to set up a financial system for Pakistan's central bank in 2000 and won the first-phase expansion project in 2001. In the project worth US\$3.2m, HIT will manage financial infrastructure expansion and provide business process reengineering (BPR) consulting services in Pakistan. (May 30, 2002)

**Hyosung Corp**, a Korean industrial conglomerate, announced that it plans to integrate its computer performance unit with its affiliate **Hyosung Data System** in a bid to create a core operation for its information and communications projects. The integrated company will launch IT projects which cover financial businesses, outsourcing, IT consulting and e-Biz projects. This integration is pursuant to the results of a study by management consulting company, **Bain & Company**. Meanwhile, Hyosung plans to formulate a mid- and long-term vision to increase IT business in the group sales to 20% from the current 5% level. (May 30, 2002)

**Wavecom SA**, a France-based wireless module developer, announced that it has incorporated a wholly-owned subsidiary, **Wavecom Korea Company Ltd**. The company expanded its Korean presence in response to strong demands from mobile handset and wireless device manufacturers in Korea. Wavecom's modules are already used in a wide range of Korean-made wireless devices. The Ministry of Information and Communications expects that Korean exports of mobile phones and related products will grow 50% to US\$15bn in 2002. (May 29, 2002)

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## MALAYSIA

**Datamat**, a Thai IT company, announced that it has agreed to purchase a controlling interest in Malaysian network integrator **ET Communication**. ET Communication is engaged in design, deployment and management of network infrastructure. ET Communications will provide Datamat with its network infrastructure in Malaysia. ET Communication will continue to operate as a separate entity but will participate with Datamat in bidding for and implementing network solutions in Malaysia and Thailand. (May 24, 2002)

**JTB Corporation**, a Japanese travel agent, and **AsiaTravelMart Sdn Bhd** of Malaysia announced that they have formed a partnership in Asian online sales of Japan package tours. Starting in July 2002, JTB will offer its *Sunrise Tours* series through AsiaTravelMart's online travel marketplace. JTB aims to broaden availability of its travel products via the Internet and expands its share of the market for travel to Japan from elsewhere in Asia. (May 29, 2002)

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## PHILIPPINES

**Bayan Telecommunications Inc**, a fixed-line telecommunications and data services provider in the Philippines, announced that it has offered to sell its fixed lines to **Philippine Long Distance and Telephone Co (PLDT)**. Proceeds of the sale will help Banyan Telecommunications pay off its maturing debts. BayanTel, which is in the middle of its debt-restructuring negotiations, has US\$477m of obligations, of which US\$277m is owed to banks and US\$200m to bondholders. (May 20, 2002)

**C-pax Corporation**, a Japanese software development company, formed a JV company, **N-pax Corporation**, with Cebu-based **E-sprint Software**. C-pax, with its HQ in Nara, specializes in developing business applications using Java, Visual Basic, SQL Server, and Oracle. N-pax Corporation will initially work on business

applications for companies based in Japan. (May 15, 2002)

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## SINGAPORE

The Economic Development Board (EDB) of Singapore and China's **TORCH High-Tech Industry Development Centre**, the Ministry of Science and Technology's promotion arm in China, signed an MOU to establish the **China Innovation Center** in Singapore, China's first overseas innovation center for internationalization. The center aims to promote the industrialization of China's high-tech enterprises, to facilitate innovation development and to assist their internationalization from Singapore as a global launch pad. The new China Center will spread the external wing of China's burgeoning economy by extending international reach for 24,000 Chinese high-tech companies employing 2.9 million people in 53 national-level high-tech zones. The center joins a growing critical mass of foreign enterprise incubators already in Singapore: the German Centre, India Centre, Japan Business Support Centre and Korea Venture Acceleration Centre (May 29, 2002)

**Flextronics** announced that it has made an offer to acquire **NatSteel Broadway** for S\$653m (US\$365m). NatSteel Broadway manufactures plastic and metal parts and has operations in China and Hungary. This acquisition will strengthen Flextronics's manufacturing base in China and allows give the company to gain access to NatSteel Broadway's toolmaking, plastic molding and electronics manufacturing units. The acquisition is expected to be completed in August 2002. (May 21, 2002)

**Singapore Telecommunications (Singtel)** announced that it is in talks to build a 1,200-km submarine cable with Indonesia and Thailand to be completed by mid-2003. Each country will have an

To submit stories to future editions of this newsletter, please contact Delphine Hou in New York on 212.265.5300 or dhou@bdallc.com or Eric Chung in Singapore on 65.6533.8500 or echung@bdallc.com.
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equal share in the proposed network. Financial terms have not been finalized, but Singtel expects the investment from each partner will be less than US\$10m and each partner will get an equal share of the bandwidth capacity. The Thai and Indonesian partners for the project were identified as the **Communications Authority of Thailand (CAT)** and **PT Telekomunikasi Indonesia (PT Telkom)**. (May 14, 2002)

**Venture Manufacturing Ltd**, Singapore's largest electronics contract maker, announced that it is in talks to acquire **Agilent's** printed circuit assembly (PCA) operation, which assembles electronic components onto printed circuit boards. Venture expects that the Agilent facility will enhance Venture's capabilities in manufacturing high-end, low-volume and high-mix PCAs. This is the second acquisition that Venture has embarked on in a short time frame. In early May 2002, the company announced that it was in preliminary talks with US data storage company **lomega Corp** to acquire lomega's facility in Malaysia. (May 14, 2002)

**XIOtech Corporation**, a wholly owned subsidiary of **Seagate Technology**, and a storage area network (SAN) provider, announced a partnership with **Econ Data Systems Pte Ltd**, a data telecommunications company in Singapore, to provide customers with open and scalable SAN solutions in Singapore. XIOtech also will team up with Econ Data Systems to help companies plan their storage strategies, prepare strong business cases for storage, and implement strategies for data migration, high availability, and data survivability. As part of the partnership program, Econ Data Systems has installed a **XIOtech MAGNITUDE** demo system in its in-house lab. (May 14, 2002)

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## TAIWAN

**Nanya Technology Corp**, a Taiwanese DRAM chipmaker, and **Infineon Technologies AG (IFX)**, a German chipmaker, announced that they will sign an MoU to jointly build two wafer plants. Nanya and Infineon will set up a JV to build two 12-inch

wafer plants with a combined total investment of US\$10bn. At least one of the plants will be built in Taiwan, and it will start production in 2003. (May 1, 2002)

**United Microelectronics Corp** announced that it purchased two sets of wafer manufacturing equipment worth NT\$754m (US\$22m) from **ASML Hong Kong Ltd** on April 30, 2002. It also acquired 11 sets of equipment worth NT\$531m (US\$15m) from **Tokyo Electron Ltd** between November 2001 and 2002. The news further supports the evidence for the recovery of the semiconductor equipment market which hit on all time low in 2001. (May 2, 2002)

## VIETNAM

The Vietnam government has allowed the foreign party in the **ABB Joint Venture Transformer Company** to buy out the Vietnamese partner, an affiliate of the Industry Ministry's **Electricity Equipment and Techniques Corp**, for US\$ 600,000, in return for releasing the local side from all debt obligations and pledging to maintain the 250 Vietnamese workforces. The JV venture has investment and legal capital of US\$24.7m and US\$10.9m has run at a loss for years. This is another example of the government moving to allow the unwinding of difficult JV relationships which were formed in the early days of foreign investment in Vietnam. (May 19, 2002)

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Andrew Huntley, Managing Director

Eric Chung, Analyst  
Delphine Hou, Analyst

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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.

### New York

Andrew Huntley  
Business Development Asia LLC  
The Economist Building, Suite 1105  
111 West 57th Street  
New York, NY 10019  
Tel: (212) 265-5300  
Fax: (212) 265-4300

### Singapore

Genevieve Wong  
Business Development Asia Utd Pte Ltd  
20 Raffles Place  
#10-07 Ocean Towers  
Singapore 048620  
Tel: (65) 6533-8500  
Fax: (65) 6533-8506

### London

Euan Rellie  
Business Development Asia Ltd  
10 Crown Place  
London EC2A 4FT  
United Kingdom  
Tel: (44) 20-7655-3748  
Fax: (44) 20-7655-8953

### Shanghai

Simon Wu  
Business Development Asia  
Shanghai Centre, Suite 504B  
1376 Nanjing Road West  
Shanghai, China, 200040  
Tel: (86) 21-6279-8390  
Fax: (86) 21-6279-8906

### Tokyo

Charles Maynard  
Business Development Asia  
#505 Sengokuyama Annex  
5-3-20 Toranomon, Minato-ku  
Tokyo, Japan  
Tel: (81) 3-3433-5803  
Fax: (81) 3-3433-5269

### Hong Kong

Paul DiGiacomo  
Business Development Asia (HK)  
Ltd  
23/F Tung Hip Commercial  
244-256 Des Voeux Road Central  
Hong Kong  
Tel: (852) 2537-9565  
Fax: (852) 2537-4406

bda@bdallc.com

www.bdallc.com