

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

# ASIAN TECHNOLOGY NEWSLETTER

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A bimonthly newsletter of developments in the computer, 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 execute acquisitions and JVs in Asia. In this issue we take a look at some leading e-commerce companies in Singapore.

If you think that BDA's services may be useful to you, please contact us in New York on (212) 265-5300, or in Singapore on (65) 533-8500.

Andrew Huntley  
Director

## CHINA/HK

**Asiacontent.com** and **CNET** have signed a JV agreement to create **CNET Asia**, which will be a collection of Internet sites with localized technology news, reviews, product comparisons and shopping services targeted at Asian audiences. CNET retained the right to purchase Asiacontent.com's share of the venture at a fixed price. The two companies have previously rolled out CNET sites in Hong Kong, Malaysia and Taiwan with a licensing arrangement and the new JV will initially establish sites in China, India and South Korea. (January 30, 2000)

**Cable & Wireless HKT** and **Singapore Telecom** resumed merger talks after the Chinese New Year break. **Pacific Century Cyberworks** has also indicated an interest in HKT and is believed to be considering a bid. It is believed that the respective Governments have given their tacit approval to the proposed deal. (February 14, 2000)

**Nokia** has signed a MOU with **Sohu.com** and **Beijing Mobile Communications Corporation (BMCC)** to offer end-users WAP-enabled services on the Nokia platform. The three companies will develop mobile Internet services and applications for mobile phone users in China. These applications and services will be deployed over BMCC's network and Sohu.com will develop content and applications for the services. (January 26, 2000)

**Pacific Century Cyberworks** and **CMGI** have formed a JV, **CMGI Asia**, to develop Internet businesses in Asia. The JV, based in Hong Kong, will act as a vehicle to bring CMGI operating companies into Asia, typically by forming a JV with CMGI Asia. The first four CMGI companies slated to enter Asia in this way are **AltaVista**, online marketer **Engage Technologies**, multimedia entertainment company **iCAST** and payment solutions provider **1ClickCharge**. This deepens the relationship between the two companies, following the minority investment each made in the other through a US\$350m equity swap in September. (January 26, 2000)

**Sina.com** has won the number one spot in the recent CNNIC [the Chinese Internic] survey ranking of China's top Web sites. **Chinadotcom** rose to eighth place after its 38<sup>th</sup> place finish in the last survey. Other leaders were **Sohu.com**, **163.com** and **Yahoo.com** [US version]. The survey also showed that Chinese Internet users were just under 9 million. (January 22, 2000)

**Leading Chinese websites**

Website	Votes in CNNIC survey
1. Sina.com	63,918
2. 163.com (Netease)	57,164
3. Sohu.com	56,147
4. 163.net	38,867
5. yahoo.com	36,042
6. 263.net (Capital Online)	32,957
7. cn.yahoo.com	21,037
8. china.com	18,860
9. 21cn.com	16,473
10. east.net.cn	15,891

**Pacific Internet**, the Nasdaq listed, Singapore based ISP, has signed an MOU with **Thakral Corporation Ltd**, the Singapore listed electronics and software distributor, to form a JV in China offering technical, marketing and management advisory services to Chinese ISPs. Pacific Internet will hold a 51% stake with Thakral taking the remaining 49% in the JV. The Chinese ISPs would be given franchise licenses to use the Pacific Internet brand name in China. (February 10, 2000)

**Virtual China Inc**, a US-based English-language Chinese portal, has acquired 100% of **China Buzz Inc**, the China-based parent company of **ChinaBuzz.com** ([www.chinabuzz.com](http://www.chinabuzz.com)). ChinaBuzz.com is an English-language site offering news and information. The new company intends to enter the Chinese e-commerce space in 2000 from its base in Beijing. ChinaBuzz.com already sells music online through **BuzzRecords**, and sells books online through a co-branded site with **Amazon**. (January 31, 2000)

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**INDIA**

**Federal Bank (FBL)**, India's leading private bank, and Nasdaq listed **Infosys Technologies Ltd** have tied up to provide over 250,000 non-resident Indian (NRI) clients with Internet banking and e-commerce facilities. *BankAway*, an e-commerce platform developed by Infosys, will be used in all Federal Bank branches to provide integrated financial services to both retail and corporate customers. (January 28, 2000)

The **Securities and Exchange Board of India (SEBI)** has cleared the stage for the launch of Internet-based trading in securities. SEBI approved the order routing system in the absence of cyber laws which are still under consideration by the Indian parliament. In an unrelated, but significant move,

the SEBI board has also approved an exemption from the 3-year profitability track record for IPOs made by companies financed by VCs. This is expected to increase the amount of VC funding available to start-ups as VC firms can more easily use an IPO as an exit strategy for its investments. (January 28, 2000)

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## INDONESIA

**Microsoft Corp** has joined with **L&M Group Investments Ltd**, a Singapore-based investments group, and **PT Jawa Pos Group**, an Indonesian media group, to develop a media, e-commerce and entertainment portal for Indonesian Internet users. The portal will provide an integrated messaging service, news, information and entertainment. Since L&M is already involved in rolling out set top boxes for the **MyWeb** service in Indonesia, there may be some crossover between the two ventures. (February 1, 2000)

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## JAPAN

**Asia Global Crossing Ltd** and **Internet Research Institute Inc (IRI)** have formed a JV to construct and operate an advanced data center in Japan, called **GlobalCenter Japan**. The center will offer Japanese companies web hosting, e-commerce support and applications hosting. Asia Global Crossing will hold an 89% stake and IRI the remainder. The venture will seek to capitalize on the trend of Japanese businesses with large-volume, high-speed data transmission requirements turning to Web hosting service providers as a cost-effective solution for their online operations. (February 2, 2000)

**Critical Path**, the US based messaging company, has formed a JV with **Mitsui & Co** and **NTT Communications** to roll out its messaging platform to Japan. Mitsui will act as a reseller and NTT will host the services and provide the backbone. The venture is aimed at all of Asia, not just Japan. (January 20, 2000)

**Seven-Eleven Japan** has announced that it will form an e-commerce JV, **7dream.com**, with Japanese firms **NEC**, **Nomura Research Institute**, **Sony**, **Mitsui**, **Japan Travel Bureau** and **Kinotrope**. 7dream.com will operate an e-commerce market that will integrate both the Internet and Seven-Eleven Stores, allowing consumers to both shop and receive delivery at home or in the stores. Seven-Eleven Japan will hold a controlling 51% stake in 7dream.com. (January 25, 2000)

### Japanese e-commerce segments in 1998 and 1999

Segment	US\$m in 1999	1999 % of total	1998 % of total
Real estate	832	26	NA
Auto	816	25.5	3
PC sales	480	15	40
Financial transactions	16	5	< 1

The **B2C market in Japan** was valued at US\$3.2bn in 1999 according to a study conducted by **Arthur Andersen**. The study also predicts that Japan's B2C e-commerce market will grow by 2.3 times in 2000, to US\$7.4bn. The study projected 20-fold growth for the nation's consumer [B2C/C2C] e-commerce

market over the next five years, reaching US\$63.4bn in 2004. (January 29, 2000)

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## KOREA

**Auction**, Korea's leading online auction site, has announced a US\$6.5m investment from **Hikari Tsushin** of Japan. Hikari Tsushin also agreed to support the firm's entry into other Asian markets, including Japan. Auction, has nearly 500,000 fee paying subscribers and offers over 110,000 different items for auction daily. It expects W2bn (US\$1.7m) worth of transactions to be made through its auction site in Q1 2000. (January 27, 2000)

**E\*Trade Group Inc** has unveiled **E\*Trade Korea**, its online trading offering for Korea, in partnership with **Softbank** and **LG Investment & Securities**. E\*Trade Korea is the first MNC online trading firm in Korea, which has one of the most active online trading sectors in the world. Softbank is expected to help bring other companies in which it has invested to the Korean Internet market. (February 8, 2000)

**Korea Telecom Corp** and **Hanaro Telecom Inc** have stopped making additional investment in ISDN lines and are concentrating on asymmetric digital subscriber line (ADSL) to cater to high-speed Internet traffic. Korea Telecom seeks to expand its ADSL service from 2,000 lines to 1 million lines by the end of the year. Hanaro Telecom expects to establish more than 200,000 ADSL lines this year. **Daewoo Telecom Co** and **Alcatel** have agreed to establish an ADSL equipment production line which can provide 1 million lines annually in Korea. (February 7, 2000)

**Korea Telecom** and **Microsoft** have formed a strategic alliance to develop Internet-related

businesses in Korea. The two companies will launch direct Internet access service from Microsoft's Windows Millennium, establish a joint portal site by pooling the resources of Korea Telecom's **HanMir** and **MSN Korea**. The alliance will also offer web hosting, game portal service and web TV service through set-top boxes. (February 1, 2000)

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## MALAYSIA

**DiGi Telecommunications Sdn Bhd** of Malaysia and **Telenor International** of Norway are partnering to offer a new Malaysian ISP. The venture will focus on WAP access for mobile telephones. DiGi is a leading mobile telecom company and is the leader in the Malaysian pre-paid sector. The venture is developing travel, news, banking and e-commerce content and services. (January 25, 2000)

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## PHILIPPINES

**Catcha.com**, a SE Asian focused portal, has acquired a presence in the Philippines through an investment in the country's top Internet search engine, **Yehey** (www.yehey.com). Catcha.com will jointly own Yehey.com with Yehey's original founders and **WS Computer Publishing Corporation**, the country's biggest IT publishing group which publishes magazines such as *PC World Philippines*, *The Web Philippines* and *ComputerWorld*. Yehey.com was recently voted as the #1 portal in the Philippines in a survey organized by **Consult.com**, an Internet research organization. (January 31, 2000)

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## SINGAPORE

**Asiacentent.com** and **NBC Internet (NBCi)** have formed a JV to build local portals and services in Asia for NBCi sites, including **Xoom** and **Snap**. The venture will first focus on Korea, Hong Kong, Singapore, Malaysia, and Taiwan. Asiacentent.com will take the controlling 65% of the venture, while NBCi will hold the remaining 35%. NBCi will also take a minority stake in Asiacentent.com through the deal. (January, 20, 2000)

**Bex.com**, a Singapore-based business-to-business e-commerce network, has entered into a JV with **Sakura Bank**, **Toshiba** and **Mitsui** to develop a B2B e-commerce hub for the Japanese market. Bex.com will hold 51% share of the JV, called Nippon Business Exchange Co (NBEXCO). The JV will operate a fully integrated and secure B2B trading environment for Japanese companies. (January 26, 2000)

**Hewlett-Packard Singapore** will invest S\$35m (US\$21m) over the next four years to establish an incubation center here aimed at mobile solution start-ups. HP will concentrate on incubating WAP electronic services and speech recognition solutions. HP will next establish similar facilities in Japan and the US. (January 25, 2000)

The Singapore **Government** has announced that it will completely open up the telecom market to foreign competition by April 2000 and will allow any telecom company to set up and provide services in the country. This announcement accelerates the opening two years ahead of schedule. The Government said that foreign players can now offer telecom services in Singapore without having to enter into partnerships with local companies. (January 24, 2000)

According to the **Economic Development Board**, Singapore's electronics industry grew 15.3% in 1999 to a total of S\$70.1bn (US\$42.5bn). The fastest

growing sectors were in data communications and semiconductors. These two sectors contributed 24.8% and 22.2% of the total output respectively. Strong growth is expected for Singapore's electronics industry in 2000, due to regional and worldwide demand for electronics products following its recovery from the Asian crisis. Growth will continue to be driven by the info-communications and semiconductor industries. (February 1, 2000)

**Singapore Cable Vision**, the country's only cable company, will invest S\$50m (US\$30m) to upgrade its network to offer telecom services when the Singapore telecom market is completely opened up in April 2000. SCV already offers Internet access over cable modems. (January 27, 2000)

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## TAIWAN

**Yam Digital Technology** has announced that it has taken on six new investors: **Bertelsmann AG**, **Microsoft Taiwan**, **Acer**, **I-Mei Foods Corporation**, **Eslite Bookstores** and **Field Force**. The new investors injected US\$23m into Yam, giving them a 28% stake in the leading Taiwanese portal. The company is also changing its address to [www.yam.com](http://www.yam.com) in an effort to win an audience in Greater China, not just Taiwan. (January 14, 2000)

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## VIETNAM

Vietnam's **Department General of Posts and Telecommunications (DGPT)**, which licenses the nation's five Internet service providers and provides access to the Internet in Vietnam, has lowered its rates by 25% to a maximum of US\$3.20 per month in an effort to boost the number of subscribers in

Vietnam. Estimates of Internet users in Vietnam average at around 45,000 subscribers, of a total population of over 76 million. (January 31, 2000)

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## FOCUS:

### E-commerce in Singapore

E-commerce is catching on fast in Asia. Both governments and trading companies are spearheading the push for B2B implementation in Asia. Many governments see B2B as a vehicle to hurdle global competitors. Taiwan, for example, is pushing for 50,000 companies to go online by 2001 and has introduced financial structures and tax incentives to encourage companies to adopt B2B solutions. Taiwan's e-commerce turnover is projected to exceed NT\$500bn (US\$16bn) in 2000.

Unlike the US, the Asian market is fragmented through language, geography, customs and regulatory systems. It is more difficult to execute e-commerce using a pan-Asian model than in the US. We have yet to see any company in Asia that has successfully launched a pan-Asian e-commerce business. We believe that for many players, pan-Asian forays will take the form of separate JVs with local partners in the different markets.

IDC estimates that non-Japanese Asian e-commerce reached US\$2bn in 1998 and forecasts growth to US\$32.6bn in 2003. Whereas at one time B2B e-commerce sites had to develop their products in house, many B2B solutions are increasingly available from a range of global vendors.

In Singapore, the National Computer Board (NCB) conducted a survey relating to Internet-based B2B commerce, which covered more than 1,000 companies in eight industry sectors. The survey revealed that companies in the selected industry sectors were highly Internet-ready. Close to 73% of the companies surveyed have corporate Internet access, and over 33% owned corporate web sites. In this issue, we profile some Singapore-based B2B

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companies that have shown great potential.

### Advanced Manufacturing Online (AMO) - E-commerce enabler

AMO is a B2B e-commerce company providing web-based supply chain solutions for high-tech manufacturers. It was conceived in 1995 by **SilkRoute Ventures** and spun off as separate entity in 1996. AMO's main offering, ECNet, is an Internet-based EDI system linking up players in the supply chain of high-tech manufacturing industry, allowing companies to cost effectively conduct procurement and logistics transactions with their trading partners.

As of October 1999, the company's customers include 32 Asia-based multinational electronics manufacturers and 674 of their suppliers. Customers include **AMD, JVC, Matsushita, Motorola, National-Panasonic, NatSteel Electronics** and **NEC**. AMO has signed up **DHL** and **FedEx** as logistics partners. FedEx's shipping and tracking systems are integrated with ECNet.

AMO has offices in China, Japan, Hong Kong, Malaysia, Taiwan, Thailand and Singapore. AMO is supported by subscription fees, transaction fees, customization fees, professional consultancy fees and advertising revenues. The company expects to list on Nasdaq this year. AMO's investors include **SilkRoute Holdings, NatSteel Electronics, AsiaTech, 3i plc, Goldman Sachs, Doll Capital** and **Morgan Stanley**.

### bex.com - E-commerce enabler

Formed in 1996 in Singapore, bex.com is focused on creating and operating e-marketplaces around the world through its B2B e-commerce transaction engine, ITC (Internet Trading Center). bex.com also provides a worldwide network infrastructure to link these e-marketplaces into a global B2B e-commerce network. These e-marketplaces are designed to help companies of all sizes reduce operation cost, achieve cash optimization and increase revenue channels. These regional e-marketplaces include ABEX (The Americas), NBEX (Japan), IBEX (Southeast Asia), UBEX (Greater China) and EBEX (Europe - to be ready Q1 2000).

bex.com also has collaborative arrangements with leading financial institutions, including **ABN-AMRO, China Trust Commercial Bank** (Taiwan) and **DBS Bank** (Singapore). bex.com maintains R&D Centers in Singapore, Beijing (China) and San Diego, USA called Bex Research Inc. bex.com's investors include **DBS Bank** (Singapore),

**Intel Pacific Inc, Koos Group** (Taiwan), **ST Telemedia & Vertex** (members of the Singapore Technologies Group), **Seletar Investments** (member of Temasek Holdings) and **ABN-AMRO**.

#### **Etako.com - Applications Service Provider**

Etako.com is an Applications Service Provider (ASP) that provides high-end business solutions to small and medium enterprises (SMEs) in Singapore and Malaysia. The business software is hosted by Etako and applications are “rented” and users are charged on a monthly basis. By providing a single point of access, Etako will let companies centrally manage their financials, inventory, sales orders and improve customer care management. Its main product partner is **JD Edwards**, a well-established tier-one leading enterprise software company. Because solutions will be tailored to each company’s needs, clients will have to lock into contracts that, depending on the complexity and level of service, will range from one to three years. The company will initially target fast-growing companies in the e-commerce, high- tech electronic and trading sectors and expects to sign up about 50 companies here in the first year, with an average of 20 users per company.

#### **webOffice - B2B e-tailer**

webOffice is the first B2B online retailer selling office supplies in Asia. It was incorporated in Singapore in

September 1998, with its first Internet store launched in February 1999. It offers about 1,000 items in its storefront, and also offers to source for items not yet in their catalogue and deliver within two weeks. webOffice’s investors include **SingaTrust**, a Singapore semiconductor group, and **3i plc**, the British venture capital fund.

#### **wizOffice - B2B portal**

WizOffice.com, a Singapore based B2B e-commerce company, allows businesses to conduct and execute office functions like procurement of office products and services, recruit, courier and tender projects. WizOffice has 10,000 business subscribers in Singapore, with small and medium businesses accounting for 80% of its subscribers and large corporations the rest. It plans to open regional offices in Japan, Hong Kong and Malaysia. Japan is expected to contribute 40% of all revenues next year, with Singapore, Hong Kong and Malaysia accounting for 20% each. Investors in the company include **Mitsubishi Corp**, Japan’s largest trading conglomerate, **Goodwill Group**, a US\$9.3 billion (\$\$15.6 billion) listed group, **HIS Company**, a travel agency chain, and **Hikari Tsushin Capital Inc’s**. Collectively the Japanese companies have invested S\$13m and hold 12.4% stake.

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### **ABOUT BDA**

Business Development Asia is a corporate finance advisory firm which assists US companies in expanding their businesses in Asia. BDA helps clients to find local business partners and acquisition opportunities 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 Euan Rellie or Charles Maynard in New York, or Andrew Huntley in Singapore.

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