

Impact of recent financial upheaval on investments in Asia

Will the subprime fallout in the U.S. which created a global credit crunch and shook global financial markets result in a global economic slowdown? If so, what will be the impact on investments in Asia and which sectors will still be able to enjoy growth under these conditions?

It is becoming clear that recent developments have affected the credit cycle in the U.S. and in the subsequent period of deleveraging (which is likely to take some time), it will be inevitable that the real economy in the U.S. will be affected. The U.S. economy is about 3 and 6 times the size of Japan and China respectively. If U.S. consumer demand hits their brakes sharply, growth in Japan, China, Korea and the export economies of Southeast Asia may stall as the other markets in the world are still not in a position to replace the U.S. consumer.

In light of the above, it is likely that businesses dependant on trade involving goods or intermediate goods that are used in the production of other products - many of which go to the U.S. - will be affected. Also, due to the repricing of risk, cost of capital will rise and businesses whose success depended on cheap funding will find that credit is scarcer and even if financing is available, the cost of capital has risen. These will in turn affect the profitability of their businesses and returns on investment.

However, not all export oriented businesses will suffer. Due to globalisation, export of labour and services from Asia to the West is unlikely to slow down dramatically. Businesses targeted towards the rise of domestic demand in Asia will enjoy continued growth as the Asian consumer comes of age albeit gradually. As Asian economies continue to grow, their services sector which currently comprises about 35-50% of the GDP, will enjoy continued expansion to become comparable with that of the developed economies in the West where services sector comprises approximately 70% of GDP.

Healthcare outsourcing in Asia

Outsourcing in the healthcare sector has come a long way especially within developed nations; the global healthcare outsourcing is estimated to be worth US\$71 billion in 2005 while healthcare BPO is a US\$200 billion market worldwide. Activities that have been outsourced include claims processing, revenue cycle management, medical coding and transcription, medical analytics, clinical processing and other support services. Asian countries such as India and Philippines have emerged as forerunners in the marketplace for offshore work from the West.

There is however an emerging trend for Asian healthcare organisations to increase their outsourcing activities. Much of these are non-core support services such as facilities management, bio-medical engineering maintenance, food services, cleansing and janitorial, linen and laundry services, and clinical waste management that are more likely to be provided onshore. Vendors are positioning themselves aggressively to serve growing demands in the region.

Faber Medi-Serve is an integrated support and management services provider in Malaysia. It has ventured beyond Malaysia to Philippines, Vietnam and the United Arab Emirates, and currently serves over 400 hospitals and healthcare institutions. Pantai Medivest is another vendor from Malaysia, and has expanded into other parts of Asia including Indonesia, India, Sri Lanka and Middle East. Singapore's United Engineers has established medical waste treatment facilities in Hunan, Liaoning, Henan and Shandong of China to treat and dispose medical waste from hospitals in these counties in a safe and environmentally-acceptable manner.

Foreign players have gained notice of the vast opportunities too. Sodexo Alliance has formed a joint venture with the Bangkok Dusit Medical Services to provide catering services for some of the hospitals in Thailand. Synergy Healthcare has also announced plans to invest in China up to a total of £15 million for a medical device sterilisation facility in Suzhou and a hospital sterilisation centre in Beijing. A development centre has been established in Singapore by Synergy Healthcare to lead the development of sterilisation services and infection control services in the Asian region. With Asian healthcare service providers facing increasing competitive and environmental pressures, it is conceivable that the use of outsourcing will only be on the uptrend for the foreseeable future.

Strategic partnership between Global Infotech and Silverlake Axis



Silverlake Axis Ltd (“SAL”) (listed on the Singapore Exchange) has acquired a 30% stake in Global Infotech Holdings, Inc. (“GIH”) (高伟达公司) (www.git.com.cn) for up to US\$20.356 million.

GIH provides system integration and outsourced managed services, as well as development and sale of proprietary software products to customers. It was ranked 5th among China’s banking technology solution providers in 2006 (a rise from 7th position in 2005) by IDC in their “2007-2011 Analysis of China’s Banking IT Solution Market” report. On the other hand, SAL is a leading provider of integrated core banking solutions for financial institutions. It has an installed base of over 60 clients including 40% of the top 20 banks in South East Asia.

The partnership aims to leverage GIH’s local market knowledge and system integration expertise as well as SAL’s comprehensive range of core banking solutions to secure a leading position in the fast-growing Chinese market. IDC’s estimates show that the market for core banking solutions in China has grown 23.8% between 2005 and 2006, and it constituted the largest piece (23.8%) of total banking IT solutions spending. Total banking IT expenditures is expected to reach RMB72.4 billion in 2011 with an annual compound growth rate of 14.5% (2007-2011).

Taiwan IC Packaging welcomes strategic investment from Transcend



A recent private placement completed by Taiwan IC Packaging Corporation (“TICP”) (www.ticp.com.tw) has attracted Transcend Information, Inc (“Transcend”) (listed on the Taiwan Stock Exchange) as a strategic

investor. Prominent Taiwanese venture capital firm, WK Technology Fund also participated in the offering. The private placement raised a total of NT\$960 million, with Transcend emerging as the largest stakeholder of TICP with 13.75%.

Transcend is a memory and consumer electronics company that designs, develops and manufactures its own branded products. Its wide product range include memory modules, flash cards, USB flash drives, portable hard disk drives, multimedia products, graphics cards and accessories. Transcend registered a revenue of NT\$25.9 billion in 2006.

Apart from raising funds for capacity expansion and working capital, TICP hopes to establish a strategic partnership with the investor through this private placement to bolster its order flow as well as to continue to widen its product offerings.

About OWW

OWW Capital Partners Pte Ltd (“OWW”) (www.oww.com.sg), formerly known as OCBC, Wearnes & Walden Management (Singapore) Pte Ltd, was established by OCBC Bank, WBL Corporation and Walden International in 1991. In October 2006, the management team of OWW acquired WBL Corporation’s interests and the company assumed its current name.

OWW focuses on expansion stage companies in the enterprise and consumer services sectors within the South East Asia and North Asia regions.

✧ Contact details ✧

Bien Chuan TAN

☎ +65 65381220

✉ bctan@oww.com.sg

Richard CHOONG

☎ +65 62317103

✉ rchoong@oww.com.sg

Wendy NG

☎ +65 62317104

✉ wng@oww.com.sg

Yee Ming SEE

☎ +65 62317107

✉ ymsee@oww.com.sg