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India's Reliance to buy assets of Hualon

Acquisition gives Reliance more than 7% global market share in polyester fibre

by **Gan Yen Kuan**
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KUALA LUMPUR: India's energy and chemicals group Reliance Industries Ltd is making its foray into Malaysia after it emerged as the buyer of the assets of debt-laden Hualon Corporation (M) Sdn Bhd, Malaysia's largest textile manufacturer that went into receivership last November, for an undisclosed price.

Yesterday, Reliance announced that it had reached an agreement with Hualon's receivers and managers to acquire the latter's assets.

The acquisition would enable Reliance to consolidate its position as the world's largest polyester manufacturer with a 25% increase in production capacity to 2.5 million tonnes, and a rise in revenue by US$1 billion (RM3.5 billion), Ernst & Young (E&Y), which administers the receivership, said in a statement yesterday.

"This acquisition will bestow Reliance with more than 7% global market share in polyester fibre and yarn," E&Y said.

Reliance chairman Shri Mukesh Ambani said: "The integrated assets of Hualon will help Reliance to strengthen its position in the entire textile value chain and Reliance will graduate to become a solution provider to the global textile industry. This acquisition reiterates our strong commitment to the growth of polyester."

E&Y said the acquisition, when completed, would be the second international acquisition carried out by Reliance's polyester sector after the successful takeover of Trevira GmbH of Germany in 2004.

Reliance, with a turnover of US$25.51 billion, is the first and only company from India to be featured in the Fortune Global 500 list of "World's Largest Corporations" since 2004 and ranks among the world's top 200 companies in terms of profits.

In 2004, Reliance was listed as one of the world's 10 most respected energy/chemicals companies and among the top 50 companies that created the most value for their shareholders in a global survey by PricewaterhouseCoopers and *Financial Times*.

When contacted, Adam Primus Abdullah, head of the receivers, said both E&Y and Reliance could not provide further details pertaining to the acquisition at this point in time, including the sale price.

"Maybe (we will disclose the sale price) in the future. I think I have to communicate with them (Reliance) first," he told *The Edge Financial Daily* via telephone.

Hualon was put up for sale on June 25, about seven months after it went into receivership. The offer for sale had attracted interests from textile players

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Malaysia to be Satyam's LARGEST software hub outside India

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Satyam founder and chairman B Ramalinga Raju says its workforce in Malaysia will grow to 500 to 600 people in the next few months, and 2,000 in the next few years. Photo by Bloomberg

revenue from MENA

Region a very exciting market, says CEO

by **Lee Wei Lian**
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DUBAI: Green Packet Bhd expects the Middle East and North African (MENA) region to contribute between 10% and 20% of its revenue in five years as it steps up its operations in that region, said its unit Green Packet International Sdn Bhd's chief executive officer Michael Lai.

He said MENA was an important but still new region for Green Packet as its Bahrain office was established only sev- [illegible]ths ago and the partners would be trained and developed.

[illegible] MENA region is a very excit- [illegible]rket," Lai told *The Edge Financial Daily* here yesterday after the exchange of documents between Green Packet and four new MENA partners at the MSC Malaysia pavilion in the Gitex convention.

THE EDGE FILE PHOTO

Lai

The four new partners will bring its total number of partners in MENA to 16 in countries ranging from Sudan to Jordan. He added that Green Packet's strategy for MENA was to be 100% partner focused.

Earlier in the convention, Green Packet launched two new products for the MENA market. They are Packet Eyes and SONbuddy Connect Platform.

Packet Eyes is a state-of-the-art wireless video monitoring system which uses Internet-Protocol-based wireless cameras to stream video to a remote monitoring back-end server that can be accessed over a web browser or handphone.

"The good thing about this is that nobody can steal the video from your house and the video is stored in a secure and remote location," Lai said.

SONBuddy Connect Platform is the latest version of the SONBuddy range and targets a younger audience with its applications like chat, file sharing, Internet sharing, screen sharing, gaming and online shopping.

In a statement, Green Packet Networks W.L.L. (GPN) chairman Dr Ali Al Mashat said the company's products had received positive market feedback since their launch six months ago. GPN is a joint venture between Green Packet and Saudi Economic and Development Co, a Saudi-based investment company.

MDec vice president of marketing and branding Niran Noor said: "It (MENA) is a growing consumption market and open to new technology. Malaysia and the MSC Malaysia initiative also enjoy good branding in this region."

He said MDec was looking to develop companies like Green Packet as global icons for Malaysia. "We are putting programmes into place to create global icons that can stand together with the best in the world like Infosys or Oracle," he said after the exchange of documents.

Hualon had whopping debts of RM4b, accumulated losses of RM1b

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mainly from the US, China and India.

The Edge Financial Daily reported in July that Hualon was troubled with a whopping RM4 billion of debts, which had been on its book since 2002, and accumulated losses of RM1 billion.

The huge debts made Hualon one of the country's biggest debtors, involving more than 50 financial institutions and creditors of the company, locally and overseas.

However, it is unsure to what extent the receivers can recoup Hualon's unpaid loans with the emergence of Reliance as the buyer of Hualon's assets.

Hualon had always been running on hand-to-mouth basis with the support from local and overseas customers, who repeatedly placed their orders, Adam said.

With these, it managed to keep its operations running at its two production facilities in Nilai and Malacca. The facility in Nilai has more than 20 plants spreading over 73ha of land, while the one in Malacca has about 10 plants covering 8ha.

Under their administration, the receivers had brought in textile expert Nabhesh Khanna into the company as chief operating officer. Interestingly, Nabhesh worked with Reliance before being called to Hualon in March this year.

Hualon was established in 1989 and is controlled by Taiwan's Hualon Corp, which was delisted from the Taiwan Stock Exchange on Nov 10, 2003. Hualon Taiwan was also troubled by huge debts. The five directors of Hualon are Datuk Oung Yu-Ming, Andrew Oung Da-Ming, Hsiang Lien-Heng, Liu Fu, and Chen Ching-Sen.

Hualon was thrust into the limelight a few years ago with its legacy of huge unpaid borrowings, which accounted for a significantly large portion of the country's non-performing loans.

Due to its inability to repay these borrowings, Hualon went into a scheme of arrangement with the lenders in 2002 to restructure the defaulted debts. It was this debenture that granted the rights to the lenders to put the company into a receivership should defaults of payments continue.

Subsequently on Nov 30, 2006, the receivers and managers from Ernst & Young — Adam, Lim Tian Huat and Stephen Duar — were appointed to take over the administration of Hualon.

According to its unaudited financial statements for the year ended Dec 31, 2006 (FY06), Hualon posted a net loss of RM314.28 million on the back of RM2.82 billion in revenue.

In fact, the company incurred losses for six consecutive years from FY01 to FY06, even with an average annual turnover of RM2.76 billion. Its accumulated losses totalled RM1.05 billion as at FY06, while total receivables stood at RM630.4 million. It had total payables of RM654.9 million, about the same as its receivables.

Hualon has more than 90% of market share in the local textile industry, and is one of the biggest exporters in the country. Exports account for 95% of its annual turnover of RM2.7 billion.

FY08 revenue to breach RM100m, inclusive of new businesses

RM30m revenue

by **Woon Wu Lin**
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PETALING JAYA: Internet service provider Jaring Communications Sdn Bhd aims to capture 10%-20% of the International Direct Dialling (IDD) market with the launch of its OneComm prepaid IDD card within the next two years.

The company is already targeting a RM30 million revenue from its latest product in its next financial year ending Dec 31, 2008.

"The VoIP business has 300 to 400 million users and we aim to capture 10%-20% of the market share in two years," said Jaring chief executive officer Dr Mohamed Awang Lah.

From a minimum of four sen, OneComm users can call to most countries outside Malaysia. The prepaid cards come in denominations of RM10, RM20, RM30 and RM50.

Yesterday, Jaring signed a master distributionship with Compugates Marketing Sdn Bhd, a unit of Compugates Holdings Bhd for OneComm.

Mohamed Awang said OneComm call rates were the most competitive in the market based on calculations of 15 seconds per block calls.

"These rates are among the cheapest for calls to Asean, especially to Thailand, Indonesia, Vietnam, India, Sri Lanka, Bangladesh and Pakistan" he said.

Compugates chairman Daruk Asmat Kamaludin said: "It (OneComm) will be easily accessible to consumers and widely available at more than 15,000 outlets nationwide within the next six months. The outlets will cover Sabah, Sarawak and the rural areas."

Mohamed Awang said the OneComm service would replace the FlexiCall IDD service and the latest product came with the added benefit of an account system for users to store up to three separate numbers per account. The account system allows for reten-