

# Yahoo! acquires HK software firm

## US\$120m deal further cements Net giant's China presence

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Yahoo! has expanded its China operations by paying US\$120 million to acquire the Hong Kong-based software provider of a leading mainland internet firm.

The world's No. 1 internet brand yesterday said it had agreed to pay up to about US\$120 million in cash for 3721 Network Software Co (3721 NSC).

The firm provides technology solutions to Beijing 3721, a directory that functions like the *Yellow Pages* and translates Chinese characters into English domain names.

"It is definitely good news," said Nathan Midler, a Beijing-based internet analyst at research house International Data Corp. "It is a positive step for Yahoo! to firmly establish itself in China [where] no international portal has done it yet."

The transaction - expected to be completed in the first quarter of next year - would make 3721 NSC a wholly owned subsidiary of Yahoo! Holdings (Hong Kong).

Yahoo!, however, would not hold a stake in Beijing 3721 and there was no plan to alter the management structure of either company, 3721 NSC and Beijing 3721 chief executive Zhou Hongyi said.

"The acquisition offers the Hong Kong company strong investment and management assistance," he said. "I believe Yahoo! can also use our products in other Asian markets such as Japan, Korea and Singapore."

"After the acquisition, Yahoo! and Beijing 3721 will become an alliance and they will offer us technical and product support."

Beijing 3721's unique operation enables keyword searches through the Internet Explorer browser address bar. Its double byte character technology also allows non-English language users to enter search items in local languages.

Beijing 3721 is considering an initial public offering, but has yet to set a timetable, according to Mr Zhou. Industry watchers expected the firm's revenue this year to exceed 200 million yuan (HK\$187.5 million).

Yahoo!'s acquisition follows Nasdaq-listed online auction company eBay's purchase of the remaining stake in its Shanghai-based peer Eachnet.com in June this year. The deal valued Eachnet at US\$180 million.

Yahoo! did not rule out the possibility of further purchases in the mainland. "We are looking at a lot of ways to grow our business," said John Marcom, Yahoo's senior vice-president of international operations. "We are open to partnership to third parties."