

# IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 January - 8 January, 2005

## Table of Contents

International	2
Japan	2
Korea	4
China	6
Taiwan	8
Hong Kong	8
Singapore/Malaysia/Philippines/Indonesia	9
United States/Canada	10
Europe	11

This document is provided for information purposes only, and constitutes neither investment advice nor the recommendation to purchase or sell securities of the companies named in this document. IRG Limited, f/k/a iReality Group Limited, and its affiliated companies, make no representation as to the accuracy or completeness of the information contained in this document. For more information on IRG call (852) 2237 6000 or visit [www.irg.biz](http://www.irg.biz).

# IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 January - 8 January, 2005

## International

### *Internet*

- **Computers worms, tools that spread spam, rogue programs known as “spyware” – these were among the top Internet threats of 2004, with the perpetrators growing smarter and more sophisticated.** And while technology to combat such threats has improved, experts concede that it is not enough to address what is bound to emerge in the coming year. The past year saw more industry attention to security: Microsoft upgraded its Windows XP operating system, closing many loopholes and creating firewall to combat attacks, America Online gave away free security tools, and computer makers began installing software to combat spyware. Virus writers, however, have found new ways of infiltrating computers and networks, bypassing the protections created as responses to their earlier attacks. Meanwhile, law enforcement agencies and service providers are only beginning to establish guidelines for jointly chasing suspects who can move about with stealth in a borderless medium. Security experts rank “phishing” and spyware as the greatest threats for 2005. The number of sites for such scams grew sevenfold in just four months – to more than a thousand in November, from 221 sites in July – according to Websense, which compiles such data

### *Ventures/Investment*

- **Data on the initial public offering from the past year showed that more than half of the companies that went public in 2004 were founded between 1997 and 2000.** That period was the height of the dotcom investment bubble. The figures released by Thomson Venture Economics and the National Venture Capital Association (NVCA), indicate that the financial environment is improving for young companies looking to raise money on public markets. After a relatively quiet IPO scene from 2001 to 2003, the number of venture-backed public offerings picked up sharply in 2004. This number reached 93, a substantial improvement representing US\$11 billion in raised capital, compared to 29 public offerings in 2003, valued at US\$2 billion. Of the 93 venture-backed outfits to go public, 42 are technology companies and 41 are in the life sciences industry. Considered to be the most high-profile technology offering of last year was that of Google, which saw its value jump to US\$23 billion after its IPO. Other technology companies to crack the list of the year’s top 20 IPOs in the United States included Semiconductor Manufacturing International, Dreamworks Animation, InPhonic, Shopping.com, Salesforce.com, Atheros Communications, Portal Player, and Shanda Interactive Entertainment. NVCA and Thomson Venture Economists expect that the new year will see another large number of venture-backed IPOs. As of the end of 2004, there were 57 companies preparing for IPOs by registering their plans with the Securities and Exchange Commission.

## Japan

### *Internet*

- **Salesforce.com Inc. has partnered with software developer Infoteria Corp. to develop a program that enables clients to link their office systems with its software and other leased programs for the smooth exchange of data.** Companies that already have office systems for management of sales and accounting hesitate to use on-demand software products like those offered by Salesforce.com because they normally need to invest a big amount in order to remove redundant and

# IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 January - 8 January, 2005

outdated data when linking systems. The new program, a modified version of Infoteria's system-linking application Asteria 3 solves this problem. The new software will go on sale, priced at 4 million yen (US\$38,000).

- **Nikko Cordial Corp. group firms have taken a collective stake of about 6.7 percent in the United World Securities Japan KK, an online brokerage that specializes in Chinese stocks.** By buying new shares for a total of about 200 million yen (US\$2 million), Nikko Cordial Securities Inc. acquired a stake of about 1.7 percent. The shareholdings of the Nikko Cordial group have surpassed those of Matsui Securities Co. and Rakuten Securities Inc., a unit of online shopping mall operator Rakuten Inc. Each securities firm holds a 4.2 percent stake in the Okinawa-based brokerage. Nikko Cordial Securities plans to connect its system to United World's so that it can offer customers online trading of Hong Kong stocks starting in the first half of fiscal 2005. The brokerage house has been handling orders for Chinese stocks in person.

## *Hardware*

- **Personal computer maker Sotec Co. will embark on restructuring, one that is centered on reducing the number of its workforce.** By the spring, the company aims to have a full-time workforce of 200 employees for a roughly 20 percent decrease. In addition, the company plans to have virtually no contract or part-time employees by the end of 2005. The company is also considering entrusting production to domestic companies to speed up product supply. It currently outsources production to subcontractors in Asia outside Japan. The company recorded its third pretax loss in a row in the year ended March 2004 and has been moving to restructure its operations.
- **Citing brisk sales of electronics components and materials and housing-related products, Matsushita Electric Works Ltd. reported strong gains in its earnings for the year ended Nov. 30.** The company said its group net profit jumped 53 percent in the year to 31.1 billion yen (US\$296.4 million) from 20.4 billion yen (US\$194.4 million). Its group revenue rose 8.3 percent to 1.3 trillion yen (US\$12.3 billion) from 1.2 trillion (US\$11.4 billion). For the current year, the company forecasts a group net profit of 8 billion yen (US\$76.2 million) and group revenue of 490 billion yen (US\$4.6 billion). Strong growth in the digital electronics market also helped boost Matsushita Electric Works' earnings. It experienced brisk demand for electronics components and materials used in mobile phones, digital consumer electronic goods and car electronics products.
- **Sony Corp will buy the Japan-based operations of Taiwan's Chi Mei Optoelectronics Corp for 18.5 billion yen (US\$176.3 million), the companies said.** The purchase is crucial for Sony, which is racing to catch up in the rapidly expanding flat-screen TV market. The purchase would allow Sony to make up to 65,000 liquid crystal display panels – used in mobile phones, digital cameras and laptop computers – a month, up from about 40,000 now. Under the deal, Sony will own all the shares of a new company spun-off from Chi Mei's Japan-based affiliate International Display Technology. Chi Mei was the world's sixth-largest producer of thin-film transistor LCD panels in 2003. Sony will acquire IT Tech's factory in Japan, and it plans to spend 27 billion yen (US\$257.3 million).

## *Mobile/Wireless*

- **Hitachi said it will supply more than US\$800 million worth of third-generation wireless communications equipment to Japan's KDDI Corp.** That figure tops the US\$800 million order that South Korea's Samsung Electronics Co. received from KDDI. A Hitachi spokesperson did not specify the exact value of the order. Hitachi, by spring of 2006, will provide and install the technology for the base-station equipment, which will enable KDDI to provide an enhanced version of its third-

# IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 January - 8 January, 2005

generation wireless service to its customers. The order from KDDI runs for a seven-year period from the fiscal year starting April 1 through to March 2012. As of the end of November 2004, KDDI has 18.5 million subscribers for its mobile services, including 16.4 million 3G-service subscribers.

- **NEC Corp. has secured a contract with Hutchison Telecommunications to maintain and repair the cellular phone service provider's infrastructure in Hong Kong starting the middle of this month.** Hutchison's Hong Kong service offers 2G technology, which features conventional voice communication, as well as 3G services, which can handle video, for a total of 2.1 million customers. NEC will manage and maintain all of the firm's cell phone network and facilities as well as design infrastructure for future expansion. Once 3G services begin on the Chinese mainland, the company intends to put the unit under the control of its Beijing subsidiary, NEC Telecommunications (China) Co., under which it will provide similar services for Chinese telecom firms. The company is targeting sales of around 50 billion yen (US\$476.5 million) in three to four years. NEC also said that, after three years, it aims to secure 3G equipment orders in China. The Hutchison deal marks the first time that a Japanese telecom equipment maker has won a contract to oversee the entire infrastructure of a cell phone firm outside Japan. Companies such as LM Ericsson and Nokia are already offering similar services to cell phone firms in Europe.
- **NTT Communications Corp. and Apple Computer Inc. have jointly developed a smart-card security system to prevent data leaks.** With the new system, a user gains access to a personal computer by inserting a smart card into a specialized reader attached to the machine, then inputting a password. A security system for 30 computers will start at about 500,000 yen (US\$4,800). The two firms plan to start receiving orders soon. Until now, similar security systems that use smart cards were available only for PCs that ran on Microsoft's Windows operating system.

## *Telecommunications*

- **The government has decided to reduce its stake in Nippon Telegraph and Telephone Corp. to the legal minimum of 33.3 percent and sell off its extra stockholdings of up to 1.1 million shares in fiscal 2005.** The planned sale is expected to generate more than 400 billion yen (US\$3.8 billion) in revenue. The move will complete a program the government began in February 1987 to gradually unload its NTT shareholdings. The government is required by law to own a third of NTT's outstanding stock, or roughly 5.3 million shares. The portion exceeding this level will be sold off next fiscal year. The anticipated sale price is set at about 370,000 yen (US\$3,526) per share. For fiscal 2004, 200,000 of the 1 million shares scheduled to be sold remain unreleased. If these shares were also sold in fiscal 2005, it would raise the total sell-off for that year to 1.1 million shares. The government may opt to release the shares in domestic and overseas markets, let NTT buy them back, or do both. The launch of the NTT share sale program is credited by some for helping lure individual investors into the stock market.

## **Korea**

### *Internet*

- **Daum Communications Co. said it would scale back its divisions into four groups this year and terminate its online game services.** The restructuring is in part to recover from the rising operating costs brought about by the company's acquisition of U.S. portal Lycos Inc. for US\$95 million last year. Daum's divisions will now comprise media/news, web search, and ubiquitous-computing and communications management. Among the groups the company plans to close are the online game,

# IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 January - 8 January, 2005

marketing and business strategy divisions. The company saw its 2004 third-quarter operating profit drop 14.6 percent from the second quarter to 10 billion won (US\$9.4 million) due to greater spending on marketing and services development. To diversify its revenue sources, Daum went into online games business in 2002 but failed to grab a significant market position. The company plans to focus on increasing their market share of Lycos.com, which is the seventh-largest portal in the U.S. but controlling just 0.2 percent of all search traffic. The plan includes strengthening its online community services. Lycos reported US\$98 million in revenue and lost US\$24 million in 2003. Analysts remain skeptical about Daum's US\$95 million acquisition of Lycos. The drop in its third-quarter profit bothers many analysts and revives worries about the capacity of the company to recover from its heavy spending even as it is losing growth momentum domestically.

- **The government plans to generate around 8 trillion won (US\$7.7 billion) in private sector investment to develop infrastructure and applications for the broadband convergence network.** In a draft plan revealed by the Ministry of Information and Communication, the government will finance the next-generation high-speed network project by inducing 5.5 trillion won (US\$5.2 billion) in investments from the country's major telecom operators – KT Corp., SK Telecom Corp., Hanarotelecom Inc. and Dacom Corp. – through the trial services that start next year. The remainder of next year's 8 trillion won (US\$7.5 billion) is expected to be provided by land-based television broadcasters and cable companies. The government will also invest 180 billion won (US\$170.3 million) to upgrade the network infrastructure at government and state-run research labs. With the fund, it plans to establish research and development facilities to support the trial projects.

## *Ventures/Investment*

- **SK Group said it would invest 5 trillion won (US\$4.7 billion) this year, a 22 percent increase from a year earlier.** Investment plans include 4.6 trillion won (US\$4.3 billion) in facilities – a 22 percent increase from 2004 – and 400 billion won (US\$378.5 million) in research and development, a 33 percent rise. More than 90 percent of the investment will be allocated in two sectors: 2.2 trillion won (US\$2.1 billion) in energy and chemical business and 2.5 trillion won (US\$2.3 billion) in information and telecommunications. At present, SK Corp., the nation's largest oil refinery and SK Telecom, the nation's No. 1 mobile phone service provider, are the cash cows of the entire group. SK Group is the nation's fourth-largest conglomerate.

## *Information Technology*

- **Korea's exports of information and communication technology products reached US\$74.3 billion in 2004, the Ministry of Information and Communication said.** The 29 percent year-on-year increase is said to be driven by the increasing sales of mobile phones and semiconductors. However, industry watchers are forecasting the growth rate to slow in 2005. Watchers attribute the slowing down to the increasing competition from Taiwan and Japan, which would result in oversupply of semiconductors and liquid-crystal display products. After reaching a monthly record high of US\$6.8 billion in November, information-technology exports dropped to US\$5.3 billion in December. The strengthening won, which makes Korean products more expensive, had prompted buyers to move up deliveries scheduled for December. China continued to be Korea's largest info-tech market, with shipments totaling US\$19.5 billion in 2004.



# IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 January - 8 January, 2005

## *Hardware*

- **Samsung Electronics Co.'s fourth quarter operating profit will likely be a steep drop from the fourth quarter due to large year-end bonuses and lower income in mobile phones and flat-panel screens, local analysts say.** However, brokerages are maintaining a "buy" recommendation on Samsung, saying the fourth-quarter factors have been considered into the share price. Most analysts said Samsung earnings would range in the mid 1 trillion won (US\$946 billion). Goldman Sachs issued the estimate at 1.2 trillion won (US\$1.1 billion). Analysts predict the LCD industry will suffer from poor sales until the latter half of this year. There is, however, a prevailing view that there is a good chance the LCD market would start picking up in the later half of this year. Samsung, meanwhile, said it would increase the production of computer memory chips known as DRAM by 50 percent this year.

## **China**

### *Internet*

- **Chinese e-commerce Alibaba.com will not seek a public listing this year, and is planning an "aggressive attack" on the U.S. online auction giant eBay business in China.** The Hangzhou-based company was believed to be a hot IPO candidate this year. Market research house Zero2ipo said that large-scale IPOs of companies such as Alibaba would push the venture capital industry in China to a new height after hitting US\$1.2 billion last year. Alibaba reached its goal of achieving an average daily operating profit of 1 million yuan (US\$120,000). The company also said there is benefit in not making an IPO, and that is the company will have no obligation to disclose financial and operating data, so that competitors such as eBay can not know its business strategies and moves. Alibaba's customer-to-customer (C2C) website, Taobao.com, competes strongly with eBay's Eachnet. It spent 100 million yuan (US\$12 million) on building a payment system, technological support, advertising and free trading services for Taobao.
- **Media group Naspers has enjoyed an 18 percent appreciation in two weeks in the value of its investment in Beijing Media Corporation after the listing of the Chinese group on the Hong Kong Stock Exchange in December 2004.** Naspers bought 19.6 million shares, equivalent to a 9.9 percent stake in the group, which cost about 270 million yuan (US\$32.6 million). Nasper's stake is currently worth about 319 yuan (US\$38.5 million) at prevailing prices and exchange rates. Beijing Media owns the rights to market, distribute and sell advertising for the Beijing Youth Daily, which has the second-largest circulation in Beijing. The newspaper retains control of its editorial content, a sensitive issue in the country.
- **Sohu was only one of the many companies to strengthen its position in the search engine market in 2004 alongside its archrivals Sina Corp and Netease.com, and search engine provider Zhongsou.com, according to Shanghai iResearch Co Ltd, a professional Internet industry firm.** The report also said that the scale of the search engine market including advertising, paid listings and real name searches will exceed 1.2 billion yuan (US\$145 million), from 500 million yuan (US\$60.3 million) in 2003. These data beat iResearch's 840 million yuan (US\$101 million) forecast made last January. One major reason for this growth was that an increasing number of enterprises were willing to spend more on using search engines as a promotional tool. The result of another market research house, CCID Consulting Co Ltd and information technology portal CCIDNET.com also said the scale of the market reached 940 million yuan (US\$114 million) last year. The Beijing-based research group said that Baidu has become the biggest player in the market with 32.9 percent of the share, while

# IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 January - 8 January, 2005

Yishou under Yahoo! ranked the second with 19.6 percent of the market. In 2004, Sohu, Sina and Zhongsou all released upgraded products, while the U.S. giant Yahoo! China consolidated its search engine service with the launch of its search engine platform Yisou.com, and the world's No. 1 search engine provider Google.com invested in its Chinese counterpart Baidu.com.

## *Media, Entertainment and Gaming*

- **The gaming platform of Sina, China's leading online company, has announced its selection of Radware's Defense Pro to ensure real time Denial of Service Protection and assure continuous high speed and secure online game services for its clients.** With 115.5 million registered users worldwide, Sina has become the most recognized Internet brand name in China and all over the world. It also offers online gaming services to over 100,000 concurrent users.

## *Telecommunications*

- **Morgan Stanley initiated coverage of Hong Kong-listed China Netcom, the country's second-largest fixed-line phone company, with an overweight recommendation and a 12-month price target of HK\$12 (US\$1.5).** The U.S. investment bank said it expected China Netcom's recurring earnings to increase by 34.4 percent last year to 6.6 billion yuan (US\$800 million), and by 14.4 percent to 7.5 billion yuan (US\$906.1 million) this year. The increase is said to be driven by broadband growth. China Netcom stock should benefit from potential accretive acquisitions from its parent, as well as slightly better than expected 2004 earnings, Morgan Stanley said in its report. The investment bank expected Netcom to announce acquisition plans around mid-2005 even as it pointed to Netcom's regional expansion and third-generation mobile network investment as two major risks.
- **China Network Communications Group and PCCW are reportedly nearing a deal in which the mainland firm will pay a hefty premium for a minority stake in Hong Kong's dominant fixed-line carrier.** Parent China Netcom Group planned to pay around US\$1 billion for 20 percent of PCCW, sources close to the deal said, a much higher price than investors had expected. The lengthy negotiations between the two companies have prompted analysts to be skeptical about the deal. Neither China Netcom nor PCCW would comment on the pricing rumors. But sources close to the negotiations said that the parties were "very close" to concluding an agreement. Analysts said that if the deal did come through, it would help boost PCCW's share price in the near term but would do little to address its fundamental problems, especially the steady decline in the traditional fixed-line revenues.

## *Software*

- **New rules drafted by the Ministry of Finance and the Ministry of Information Industry last year directed all government organizations to buy duly certified "domestic" software.** For BEA Systems, however, the fears over the negative effect of the policy have proved unfounded, following its implementation of what has been described as a unique China strategy. BEA struck a deal with Beijing in 2003 to develop new, world-class software products in the mainland using Chinese IP. To push that agenda, BEA registered the trademark and copyrights of its Tuxedo software in China. This technology, standard for all telecommunications network operators worldwide, was used by BEA as the platform for research and development work at its Beijing facility. With a financial war chest of US\$1.6 billion, BEA will sharpen this year its focus on marketing and make new investments in strategic areas such as radio frequency identification technology.

# IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 January - 8 January, 2005

## *Hardware*

- **Lenovo Group will take over the loss-making unit of IBM's computer division, which it has acquired, with a package of US\$14.8 billion in liabilities derived from goodwill and other intangibles.** IBM's global computer business posted a negative book value of US\$680.2 million at the end of June last year. The enlarged company will have an estimated net tangible liabilities of US\$5.8 billion, as calculated for the end of September last year. Before the takeover, Lenovo's book value showed net assets of US\$4.8 billion. Under the new accounting rules introduced in 2002, Lenovo is not allowed to write off the entire goodwill against its reserves. The goodwill could eat into Lenovo's future earnings. The company is expected to complete the acquisition of IBM's global computer business in June.

## **Taiwan**

### *Telecommunications*

- **Shares of Taiwanese telephone companies attracted last year as semiconductor and electronics makers slumped.** Chungwa Telecom, the island's largest provider of telephone services, advanced 27 percent last year. Taiwan Cellular Corp. gained 20 percent; Far EasTone Telecommunications jumped 67 percent. Chungwa, with sales of NT\$179 billion (US\$43.7 billion) last year, is the only Taiwan operator to offer a combination of Internet, fixed-line and mobile phone services. The company reported sales of NT\$59.8 billion (US\$1.8 billion) for the year although its earnings per share, according to Thomson Financial Survey, will fall 1.7 percent this year.

### *Hardware*

- **BenQ, a spin-off of the Acer Group, reported NT\$124.6 billion (US\$30.3 billion) in revenue and NT\$7.4 billion (US\$231.1 million) in profit in the first nine months of last year.** Of its sales, 34 percent was from branded businesses, versus 29 percent for 2003 and 24 percent in 2002. BenQ produces cameras, digital music players, laptops, LCD monitors and televisions, projectors and printers. It makes handsets for companies such as Nokia and Motorola. The company, formerly known as Acer Multimedia and Communications, continues to rely on OEM and ODM orders for the bulk of its sales, although this is slowly changing.

## **Hong Kong**

### *Internet*

- **Internet resellers are being priced out of the market as rivals of their own networks lower monthly subscription fee.** HKNET is the latest to quit the market, notifying customers last month that it was transferring its accounts to PCCW. In September, So-Net, the broadband service provider of Sony Corp., also transferred its accounts to PCCW, one of the companies that lowered subscription fees. Industry players fear fierce competition could spread to Internet service providers (ISPs), which target corporate customers. Hong Kong boasts a household broadband penetration rate of 60.3 percent and about 190 ISPs.



# IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 January - 8 January, 2005

## *Mobile/Wireless*

- **Consumers will no longer compare the number of voice minutes or text messages they include in their tariff plans.** With 3G, video call minutes, multimedia messaging services (MMS) and short movie clip capacity are key. It is difficult to compare the various service plans offered by the three mobile operators merely on price. SmarTone's slightly cheaper than comparable plans offered by Hutchison is offset by the fact that they provide less voice, video-call minutes and MMS quotas. CCL has priced its four tariff packages higher than its rivals, but is compensating by offering bigger handset subsidies. The fourth 3G licensee, Sunday Communications, will launch the service in the second quarter this year. The three operators so far have refrained from price undercutting but analysts say competition will heat up in the second half when they will be pressured to lower prices or offer more handset subsidies.
- **The outsourcing deals of Hutchisons involving Hewlett-Packard and newly formed NEC Telecommunications (Hong Kong) are part of global trend that sees mobile operators pitching customer services and brand building as their core functions.** The two deals will see Hewlett-Packard take over management of Hutchison Telecom's 3G data center and the maintenance and support services of the company's Internet portal and e-business IT applications. In a separate agreement, NEC will provide network operations and maintenance for Hutchison's second and third-generation mobile network operations in Hong Kong. Analysts say Hong Kong is arriving late on the outsourcing scene, in large part due to the many family-run businesses in the country. The trend is already widely spread in other regions. Analysts said other Hong Kong carriers were likely to follow suit.

## **Singapore/Malaysia/Philippines/Indonesia**

### *Mobile/Wireless*

- **Singapore will allow mobile operators more flexibility in pricing to enhance competition, the industry regulator Infocomm Development Authority (IDA) said.** The move is likely to spur domestic operators such as Singapore Telecommunications Ltd., Mobile One Ltd. and Starhub Ltd. into aggressive marketing and start a fresh round of discounted offers. Operators were previously not allowed to charge different prices for call made as the market was then described as being "in the initial days of competition".

### *Semiconductors*

- **United Test and Assembly Centre Ltd. (Utac) said it has started making MP3 audio decoder chips for NASDAQ-listed Sigma Tel Inc.** The move is expected to contribute 5-10 percent of its revenues in 2005. Sigma shipped MP3 audio controller chips for over five million portable MP3 players in the third quarter of 2004. The company did not specify how many decoder chips it could make for Sigma in 2005. Utac's net profit for the third quarter ended September was US\$3.9 million, up from US\$473,000 a year ago. Total revenue in the third quarter was US\$42.8 million, up 41 percent from a year ago. Utac is taking over Taiwan chip tester Ultra Tera Corp and is slated to be the fifth-largest chip tester in the world.

# IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 January - 8 January, 2005

## United States/Canada

### *Internet*

- **Microsoft unveiled free software designed to help guard against threats faced by computer users in the form of spyware and other malicious programs.** The software company said computer users could now download from its website a test version of its Microsoft AntiSpyware program. Analysts said the move could herald a big leap into the field now dominated by security software firms. The antispyware program is based on technology acquired from Giant Company, which Microsoft bought last month.
- **eBay and Intel launched a recycling program to motivate Americans to safely dispose of mounting heaps of used computers and other electronic gadgets.** According to research firm Gartner, U.S. consumers retired or replaced roughly 133,000 personal computers per day. eBay lists roughly US\$2.5 billion worth of new and used computers every year, as well as US\$2.5 billion worth of consumer electronics such as cellular phones, gaming equipment and hand-held computers. The recycling effort is centered around a website, where Americans with unused gadgets can get information on how to get rid of them safely. The site includes a downloadable program that will erase all data from hard drives, ensuring that the owners' financial and other data cannot be shared. Rethink will only link recyclers that promise not to dump the machines in landfills in developing nations – a growing source of environmental toxins in Asia.
- **Napster, the name that was once a symbol of rampant music piracy, has become a publicly traded company on the NASDAQ exchange.** Napster was being traded under the NAPS symbol on the electronic stock exchange. This reflects the name change brought about by the company that bought the service, Roxio. The old company had as many as 70 million members freely trading music files and pioneering the effort to use the Internet as a music service. The old Napster became bankrupt in 2001 after a series of lawsuits filed by the music industry accusing the site of being a hub for the exchange of copyright-protected music. Music software maker Roxio acquired the name and assets of Napster in 2002 for US\$5 million in cash plus stock, and converted it into a fee-based website that allows subscribers to legally download music files.
- **Shares of Google ended last year near US\$200, capping the stock's debut year near its record price.** Google shares have more than doubled since the company's initial public offering. The rise has given the company a market value of US\$53 billion and an estimated price-to-earnings ratio of about 76, more than triple that of Cisco Systems whose equipments underpin much of the Internet that the Google name now dominates. Scarcity of the shares, according to analysts, may have contributed to the stock's rise.

### *Telecommunications*

- **Former directors at WorldCom have agreed to pay US\$54 million to settle a part of a shareholder lawsuit over accounting fraud that led to the largest bankruptcy case in the U.S. history.** Citigroup agreed in May to pay US\$2.6 billion to resolve claims filed by WorldCom investors. WorldCom was renamed MCI after emerging from bankruptcy. The telephone company lost US\$200 billion in market value before filing bankruptcy. Investors say WorldCom fraudulently reduced its expenses in 2001 and 2002 by hiding line costs – fees paid to other telephone companies for use of their transmission lines – in the capital budget, rather than reporting them as operating expenses. MCI declined to comment.

# IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 January - 8 January, 2005

## *Hardware*

- **SigmaTel has filed a lawsuit in a federal court against Zhuhai-based Actions Semiconductor for alleged infringement of multiple patents related to components used in portable MP3 players.** The lawsuit claims Actions Semiconductor violated SigmaTel patents for system-on-a-chip controllers used in compressed audio players. SigmaTel is seeking an injunction to halt all shipments into the U.S. of products using the offending chips. It is also claiming unspecified damages. MP3 players using the Chinese firm's integrated circuits have an unquantified presence in the United States. Research firm International Data Corp said the worldwide MP3 player market is booming, and is expected to be worth nearly US\$58 billion by 2008.

## **Europe**

### *Internet*

- **Overall growth for Europe's online advertising market was an impressive 30 percent in 2004, totaling US\$2.8 billion, according to JupiterResearch.** Internet advertising is expected to increase 28 percent in 2005 to US\$3.7 billion. Steady growth is expected to continue through 2008, when total European online advertising will reach US\$5 billion, the research group said. That report runs parallel with the findings by Nielsen//NetRatings: It found the volume of banner ads on European web sites increased 24 percent last year. Sweden, France, and the Netherlands led European growth in banner ads, each registering over 30 percent increases. Italy, the United Kingdom, Switzerland, Denmark and Austria showed growth between 25 and 30 percent. Lagging were Germany, Norway, Spain and Belgium, all of which experienced growth of 10 percent or less.
- **Verizon has denied Internet rumors that the company blocks all e-mail coming from European locations.** Recent incidents of e-mail being bounced back to senders have fuelled the gossip. The telecommunications giant said it only blocks servers from Internet addresses that flood the network with spam e-mail messages. Moreover, the company said their system only blocks spam messages on an individual basis, and not based on geography.

This document is provided for information purposes only, and constitutes neither investment advice nor the recommendation to purchase or sell securities of the companies named in this document. IRG Limited, and its affiliated companies, make no representation as to the accuracy or completeness of the information contained in this document.