

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



Week of 22 June - 28 June 2003

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Equity Market Indicators					
Index	Closing Level (6/27/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/2003	% Change 2002 Low
S&P 500	976.22	-2.0%	-15.5%	11.0%	26.9%
Dow Jones Industrial Avg.	8,989.05	-2.3%	-10.8%	7.8%	24.6%
Dow Jones Tech. Index	274.36	-2.3%	-18.7%	19.5%	51.3%
Dow Jones Telecom. Index	164.99	-1.5%	-20.9%	11.6%	41.4%
NASDAQ Composite	1,625.26	-1.2%	-17.9%	21.7%	46.7%
The Street.com Net	122.49	-0.1%	-37.4%	43.0%	96.6%
Japan Nikkei 225	9,104.06	-0.2%	-16.3%	6.1%	7.5%
Japan TOPIX	903.06	0.5%	-14.3%	7.1%	8.8%
Korea KOSPI Composite	677.28	-1.3%	-6.6%	7.9%	15.7%
Korea Kosdaq	49.68	-2.2%	-33.3%	12.0%	12.2%
Taiwan Stock Exchange	4,877.90	-2.5%	-12.9%	9.6%	27.1%
Singapore Straits Times	1,477.73	-2.7%	-9.1%	10.2%	9.5%
Hong Kong Hang Seng	9,657.21	-2.8%	-14.9%	3.6%	8.4%
Hong Kong GEM	1,109.54	-2.0%	-41.7%	16.7%	22.9%
China Shanghai (A-Share)	1,567.45	-2.1%	-6.5%	10.5%	15.1%
China Shenzhen (A-Share)	431.62	-2.8%	-11.9%	5.3%	12.0%
China Shanghai (B-Share)	113.15	-1.7%	-33.1%	-0.3%	1.6%
China Shenzhen (B-Share)	217.72	-1.3%	-16.8%	16.4%	19.5%

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## Technology, Media, Telecommunications and Life Sciences Market Activity

### NASDAQ/NYSE TMT and Life Sciences IPO Filings

File Date	Issuer	Industry Sector	Size (\$MM)	Description	Book-Runner	Co-Manager
N/A						

### NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 6/27/03	% Change From Offer
6/25/03	Q-Comm International Inc.-Un [QMM/U.US] (Amex)	Electronically distributes prepaid wireless and other services through retail points of sale. The company offers turnkey solutions by providing a suite of products and services including proprietary hardware and software and a data center that processes transactions and manages information, as well as operational and professional services.	US\$14.3	US\$13	US\$14.3	9.6%

### Asian Equity Markets: TMT and Life Sciences IPO Pricing

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 6/27/03	% Change From Offer
6/26/03	Radianc Electronics Ltd. [RAD.SP] (Singapore)	Provides electronic manufacturing services to equipment manufactures (OEMs) and original design manufactures (ODMs) products in the satellite communications and computer peripheral industry.	US\$3.5	S\$0.21	S\$0.36	69%

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## Weekly Highlights

### International

#### *Hardware*

- **The wireless local area network (WLAN) semiconductor market worldwide was projected to nearly double to US\$1.1 billion in 2007 from US\$598.8 million last year**, an industry research firm said. Shipments are forecast to increase five-fold to 114 million units of semiconductors, International Data Corp (IDC) said in a press statement. IDC added the market was expected to peak in 2005 with growth remaining flat in the following two years.

#### *Mobile / Wireless*

- **Scams and unwanted advertising messages, long the bane of e-mail users' existence, have reached the mobile phone**, setting off customer complaints and moves by phone operators to fight the flood. At least one carrier, Vodafone Netherlands, has introduced a filter aimed at straining out unwanted messages, but experts say much more needs to be done to prevent mobile-phone spam from growing the way e-mail spamming has. While some customers may find any ad message annoying, marketers argue that there are some legitimate uses, such as contests. For them, the threat of spam is that it will turn users off to all text-message advertising.

#### *Telecommunications*

- **Carl Icahn's XO Communications Inc. made a new offer to buy Global Crossing Ltd. out of bankruptcy protection during a hearing in Manhattan federal court.** The hearing is being held to determine whether Global Crossing can continue exclusive talks to be bought out of bankruptcy by Singapore Technologies Telemedia Pte. This exclusivity provision has kept other suitors, including XO, effectively at bay. ST Telemedia's acquisition of Global Crossing is being held up pending a national-security review by the Committee on Foreign Investment in the United States, which represents officials from U.S. defense agencies as well as the Justice and Commerce departments. Under the new XO proposal, XO would be permitted to submit a bid that would be evaluated if the committee decided to reject the ST Telemedia deal. Under terms of the revised offer, XO will pay holders of Global Crossing's prepetition unsecured debt US\$200 million cash, XO said. XO's revised offer supersedes all prior XO offers with the exception of its US\$495 million tender offer made for Global Crossing's US\$2.25 billion of senior secured bank debt.

### Japan

#### *Hardware*

- **NEC Corp. has developed a commercially viable small fuel cell that can be used in notebook computers.** The fuel cell will enable 40 consecutive hours of operation, about 10 times longer than using lithium-ion batteries, the current mainstream batteries for notebook computers. Japanese, U.S. and South Korean companies have been competing fiercely with each other to develop small cells for use in personal computers and mobile phones in recent years. The latest move means NEC is having a lead over its rivals in terms of commercializing such cells. The fact that current lithium-ion batteries for

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portable devices do not last long has been a major barrier in linking these devices to data networks. If the devices are used to process data-heavy moving images, they tend to run out of power quickly. The NEC fuel cell should resolve this problem.

- **Niigata Seimitsu Co., the University of Tsukuba and Toyota Industries Corp. have jointly developed a chip that can double the resolution of video displays.** Its data-processing logic is modeled on the workings of neural networks. The partners believe that the chip will find applications in small LCD (liquid crystal display) televisions and in displays for mobile phones.
- **Fujitsu Ltd.'s said it received "a significant order" from U.S. telecommunications operator Verizon Communications Inc. for a next-generation fiber-optic system.** The order from Verizon, for which Fujitsu declined to provide a value, is for equipment compatible with ultrahigh-speed SONET (synchronous optical network) systems, which can send large amounts of data, including sound and video.
- **Hitachi Ltd. believes its purchase of IBM's hard-disk drive business will help it turn out new consumer electronics goods faster than rivals,** with the first products coming as early as this year, an official said. Hitachi closed the US\$2.05 billion deal with IBM on Dec. 31. Producing the new line of products, applying cutting-edge hard-drive technologies, has become one of Hitachi's most important projects. Yoshihiro Moribe, a senior manager at Hitachi Global Storage Technologies Inc.'s domestic unit, would not delve into details about new product plans, but he said speed would be an important advantage.

## *Information Technology*

- **NTT Data said it had successfully linked thousands of computers on the Internet to finish a task in 132 days that would take a single computer 611 years.** It marked Japan's first test of "grid computing" - where linked computers share small parts of mammoth calculations. In the test that ended in April, the company linked 12,206 random computer users found through the Internet who were willing to download a program onto their systems that would share the computing burden of two scientific projects. One sought to identify repeated patterns in the human genome for use in a study of diseases' relationship to genes, while the other analyzed the light-transmitting ability of different materials for a future light-based computer. NTT Data, a subsidiary of telecommunications giant NTT, said its grid computing service would be priced at about ¥2 to ¥3 million (US\$16,950 to US\$25,400) for every 100 computers needed. The company would install its system by linking clients' computers on a higher-speed Intranet.

## *Life Sciences*

- **Hitachi Software Engineering Co. will soon begin marketing DNA chips,** which the company claims can determine the functions of mouse genes. The new chip, which was developed jointly with DNA Chip Research Inc., a start-up firm based in Yokohama, deals with some 30,000 mouse genes. Hitachi Software contributed its know-how on computerized gene sequencing, while DNA Chip Research offered its proprietary technology to paste genes on the substrates of the chips. The company's DNA chip-related sales are projected to jump 10-fold within three years to ¥2 billion (US\$16.7 million). The domestic market for DNA chips is estimated to be worth ¥4 billion (US\$33.4 million) this year and rise to ¥20 billion (US\$167.1 million) in three years.

## *Mobile / Wireless*

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- **The Japanese Mobile Computing Promotion Consortium, an industrial group, hopes to create universal standards for wireless LAN connectivity** by the end of 2004. The organization will address such issues as roaming rules that allow connections between LAN operators, equipment specifications that enable any operator to provide a stable connection, the need for a highly secure encryption system, and a function that automatically turns on a terminal when it enters a wireless LAN service area. A promotion committee within the consortium was established by 28 firms including Fujitsu Ltd., NEC Corp., Toshiba Corp., Hitachi Ltd., NTT DoCoMo Inc. and KDDI Corp. Testing and data collection will begin within the year at connection points nationwide. The use of wireless LAN system has not spread due in part to the fact that cell phones are highly advanced in Japan, the consortium hopes that with its efforts things will change.

## *Software*

- **Oracle Corp. Japan said it raised its parent net-profit outlook for the year ended in May to ¥14.0 billion (US\$118.6 million)** from its previous outlook for ¥10.9 billion (US\$91 million) on stronger-than-expected sales. The subsidiary of U.S. company Oracle Corp. also boosted its parent sales outlook to ¥86.3 billion (US\$720.8 million) from ¥81.5 billion (US\$680.8 million) as revenue from its software-products and consulting-service businesses exceeded initial expectations.

## *Telecommunications*

- **KDDI Corp. had completely severed its capital ties with Singapore Telecommunications Ltd.** The Japanese telecommunications firm sold its entire 1.2% stake in Singapore Telecom, with market insiders estimating that the some 220 million shares sold for around ¥22.5 billion (US\$187.9 million). KDDI had formed a capital tie-up with the Singapore firm in 1999 to bolster its international data communications operations. The plan was for KDDI and Singapore Telecom to set up a joint venture in the international data communications services business but this never materialized as the market soured, leaving only the capital arrangement.
- **NTT Corp. has developed a device capable of recognizing practically every Japanese name that it "hears."** NTT aims to use the technology to launch a computerized telephone directory service in two years. It also hopes to sell it through NTT Data Corp. to companies that want to provide automated response services at unmanned call centers. NTT has found that the equipment can recognize all of the 180,000 family names and 140,000 given names registered in its telephone number database. Its previous voice recognition technology was able to recognize only 3,000 to 5,000 varieties of both family and given names, making it hard to use the technology for interactive voice response services. The newly developed technology can correctly distinguish even rare names and those close to other names in sound, by taking cues from information on how to read the first Chinese character that comprises the name in question.

## **Korea**

### *e-Commerce*

- **One-price shops, which sell a variety of goods at a uniform price, are expanding their presence in cyberspace.** Online shopping service Lotte.com said that it launched an all 9,000 won (US\$7.5) shopping section on its Web page. The online retailer is offering diverse household items - such as upscale cooking utensils, hair dryers, electric toothbrushes, coffee makers and radio cassettes - at heavily discounted prices of 9,000 won (US\$7.5) each. Another Internet-based shopping service Nate.com

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opened a similarly themed "1,000 Won House," selling a range of products at a mere 1,000 won (US\$0.84).

## *Media, Entertainment and Gaming*

- **NCsoft Corp. said that it would launch promotions of its forthcoming title "Lineage II" together with Samsung Electronics, NVIDIA, Intel and Microsoft.** The company said the joint promotion is aimed at spurring the domestic PC and parts markets, which have long been suffering a slump. Lineage, which has enjoyed five years of unmatched success, is NCsoft's flagship product with more than 100,000 concurrent users in Korea alone. The company is pinning its hopes for Lineage II on the revolutionary 3D graphics used in the game. It is the first in a new generation of online games with the look and feel of a motion picture. Lineage II's 3D graphics are expected to require more computing power than most users have now, something that NCsoft and computer makers here expect will help revive the demand for hardware upgrades. Under the joint promotion program Samsung, NVIDIA, Intel and Microsoft will come together to release a "Lineage II PC" with hardware specifications that are customized for the new online game.
- **Next-generation games based on Hollywood blockbuster films are expected to heat up the Korean gaming market.** For example, Korean game distributor Waycos Inc. launched the sale of a computer game version spin-off from the movie "The Hulk." The big-screen release of the movie based on Marvel Comic's "The Incredible Hulk" has been used as the basis for the new game developed by Vivendi Universal Games. A version for Microsoft X-Box is slated for release in Korea early next month while the version for Sony PlayStation will enter the market within the second half of this year. Similar movie-game promotional campaigns are expected for upcoming movie releases.

## *Mobile / Wireless*

- **IntroMobile Co., a mobile solutions developer, said the majority of Korean mobile phone users are carrying high-powered handsets that can support the transmission of multimedia content over the CDMA-based 3G mobile network but the problem lies with the mobile platforms.** SMS has long been available here, but Korean users are yet to fully enjoy the benefits of MMS because of SK Telecom, KTF and LG Telecom whom despite offering the transmission of pictures and video clips, nevertheless do not follow the widely accepted international standards for MMS.

## *Software*

- **Nextway, a Korean MP3 player maker, has developed its own "encoding technology," which enables users to transform analog sound tracks into MP3 files,** in close cooperation with Telechips, its business partner. This move is needed to solidify its position in the fiercely competitive audio device market

## *Telecommunications*

- **Hanaro Telecom Inc. faces a serious obstacle in its bid to position itself in the fiercely competitive broadband market in Korea,** as its board delayed its decision on the ambitious plan to attract foreign funds of US\$450 million. Hanaro's board failed to approve the foreign fund plan, something that has been touted as a key factor for the company's bid to remain independent and secure its market position. Hanaro is competing with KT Corp., the country's largest broadband carrier in a market that is now struggling to keep up positive growth as a slew of saturation signs are surfacing after the number of broadband users recently surpassed the 11 million mark.



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- **AIG's chairman said that the group of investors led by the insurance giant will not increase its offer in the beleaguered broadband operator Hanaro Telecom.** The AIG-lead deal would include the purchase of US\$450 million in newly issued shares of the high speed Internet service provider and syndicated loans.

## China

### *e-Commerce*

- **Online auction giant eBay's takeover of Chinese Internet trading operator EachNet signalled a new era of growth for the mainland's e-commerce portals,** said a Beijing-based information technology consultancy. The deal also marks how much the leading Chinese portals have shed the stigma of the dotcom fallout and developed sustainable business strategies, according to BDA China managing director Duncan Clark. The state-run China Internet Network Information Centre estimates more than 59 million mainland consumers are online, making China the world's second-largest Internet population behind the United States. Research firm International Data Corp. predicts that e-commerce in China will become a US\$16 billion market by 2005.

### *Mobile / Wireless*

- **State-owned mobile phone operator China United Telecommunications, the parent of China Unicom, is facing its first large senior management reshuffle with the departure of its chairman.** The firm's top management was told by the State Council that Yang Xian Zu, 63, would retire and be replaced by his deputy, Wang Jianzhou, 54. It is not known when the change will take place. Under mainland regulations, government officials are supposed to retire between 60 and 65. A company source said Mr Yang would take up a new post with the Standing Committee of the Chinese People's Political Consultative Conference, where he is a member of the economic committee.
- **A boom in China's mobile data market has sent wireless-content providers rushing to deliver new products that would ring in more business from mainland cellular subscribers.** With more than 200 million mobile phone users in China, demand has grown rapidly for wireless data applications - from text greetings, jokes, alerts, games, logos and ring tones to chat forums, picture messages, screensavers and video clips. Estimates from Pyramid Research found SMS revenues in China last year amounted to US\$750 million and are expected to reach US\$16 billion by 2007. Such potential led Chinadotcom to acquire Newpalm Information Technology, an SMS software-platform developer and applications provider in April. That move followed earlier efforts by mainland e-commerce portal operators such as Sohu and Sina to branch out into the SMS business.

### *Software*

- **Digital China Holdings' president and chief executive, Guo Wei, warned investors and analysts that the bad days associated with SARS would continue for two more quarters.** Digital China blamed Sars for hurting its business across the board: its system integration business was severely affected, and some customers had suspended operations opting to wait out the virus while others delayed payments to the group due to Sars-related setbacks. This had resulted in higher provisions for accounts receivable and doubtful debts. Although Digital China was expected to take some kind of Sars hit, it announced two pieces of news that took analysts by surprise. First, its earnings for the year ended March 31st were below expectations, rising by just 5.7 per cent to US\$181.2 million - lower than the US\$196.1 million analysts had expected. It also said profit would continue to decline for the six months



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between April and September due to anticipated higher provisions for bad customer debt and inventory write-downs.

- **The Beijing city government hopes to increase its use of the license-free Linux operating system**, an official said, as it prepares to open bidding for several major information-technology contracts. The comments underscore the challenge that Linux, which offers more opportunities for domestic companies than Microsoft Corp.'s dominant Windows software, is posing to the U.S. software maker in China. Beijing is gearing up for another round of bidding for computer and software systems in the second half of this year, said Zhu Yan, director-general of the Beijing Municipal Office of Information, which promotes the use of information technology. No one company owns Linux, but many of Microsoft's competitors are promoting Linux, an operating system that is developed and maintained by a group of volunteer programmers who make it available free of charge, as an alternative to Windows. Mr. Zhu said the government didn't have specific targets for increasing its use of Linux.

## Taiwan

*Mobile / Wireless*

- **Chunghwa Telecom planned to launch third-generation (3G) services early next year**, company chairman Ho Chen-Tan said. The company aimed to offer high value-added services and attract more subscribers through the new 3G technology, Mr Ho said in a ceremony unveiling a pilot 3G system. Chunghwa Telecom ranks as the largest mobile phone operator in Taiwan commanding a 31 per cent market share with a customer base of 7.8 million.

## Singapore / Malaysia / Philippines / Indonesia

*Information Technology*

- **Computer upgrades and other office equipment bought in 2000 should help boost Philippines merchandise exports this year**, Trade Secretary Manuel Roxas said. Philippine exports fell 1.8 per cent in April due mainly to a drop in global demand for data processing products and telecommunication devices whose components make up the bulk of the country's shipments. Electronics account for 69 per cent of Philippine export revenues, with semiconductors making up 71 per cent of the sector's shipments. Philippine exports rose 9 per cent from last year to US\$35.1 billion.

*Media, Entertainment and Gaming*

- **StarHub Cable Vision denied allegations by rival Singapore Telecommunications it had breached a cable agreement and vowed to defend itself against the claim.** SingTel, in a lawsuit filed against SCV, claimed Singapore's sole pay-TV operator violated a 1995 agreement under which it was bound to supply cable services only to residential clients using lines leased from SingTel. SCV allegedly used the lines to provide pay-TV services to commercial customers, such as foreign embassies, shopping malls and hotels.

*Telecommunications*

- **PT Telkom Indonesia said it has appointed PricewaterhouseCoopers to audit its 2002 financial statement in a bid to prevent the possible delisting** of its stock in the U.S. The audit will take about two to three months, Telkom said in a statement. The U.S. Securities and Exchange Commission has

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told Telkom it must resubmit its 2002 earnings by July 15 or face delisting of its stock. According to Telkom, its local auditor, Eddy Pianto, wasn't acceptable to the SEC.

- **Deutsche Telekom AG has offered to sell key partners its shareholding in Philippine cellular company Globe Telecom Inc.**, a stake worth at least US\$430 million. Singapore Telecommunications Ltd. and Philippine conglomerate Ayala Corp., the other major shareholders in Globe, both said they were reviewing the offer, but many in the market see the deal as good as done. The German telecommunications company didn't disclose the offering price for its 37.7 million common shares in Globe, equal to a 24.8% economic interest, but only a 12.1% voting right. Nor would its partners disclose the terms.

## Hong Kong

### *Hardware*

- **VTech Holdings has reported a strong growth in net profit for last year, largely because of a one-off gain from a lawsuit settlement.** It recorded a net profit of US\$40.8 million, compared with US\$11.2 million previously, 12 per cent lower than the expectations of 10 analysts polled by Thomson First Call, who forecast the company would earn about US\$46 million. The profit was boosted by a one-time US\$34 million gain in the first half from the settlement of a lawsuit against Lucent Technologies, from which it bought a division in 2000. The company also made a US\$11 million provision for a dispute with the Hong Kong tax authorities.

### *Internet*

- **chinadotcom corporation, the leading integrated enterprise solutions company in Asia, nominated Mr. K.O. Chia as an Independent Director of hongkong.com Corporation**, subject to regulatory approval. Mr. Chia has an extensive background in telecom and technology with operational experience with both start-up technology companies and Fortune 500 companies in the Asia Pacific region. Prior to becoming a venture capitalist, he created and built the Asia-Pacific operations of Premisys Communications, Inc. from start-up to IPO. He spent 12 years with Hewlett-Packard (now Agilent Technologies) in Scotland, Europe and subsequently transferred back to Asia-Pacific. Mr. Chia subsequently joined Apple Computer Asia to take the lead regional product-marketing role. K.O. Chia is currently the MD of Walden International, a global VC firm headquartered in San Francisco, in which he takes the lead in managing the country funds of China, Hong Kong and Japan as well as focusing on investments in the telecom and technology sectors across Asia-Pacific.

### *Media, Entertainment and Gaming*

- **Tom.com is closing in on a majority stake in AOL Time Warner's Chinese Entertainment Television Broadcast (CETV), having secured a consensus on terms from the broadcaster's three shareholders--** CETV is 80 per cent controlled by debt-ridden AOL. Lark International Holdings has 16 per cent and veteran producer Robert Chua the remaining 4 per cent. CETV has a market value of US\$70 million and is running an operating loss of US\$15 to US\$20 million a year. CETV is one of only four foreign channels that can legally broadcast to homes in the Pearl River Delta.

### *Mobile / Wireless*

- **SmarTone Telecommunications has initiated a price war for the third time this year.** First it expanded the number of free voice minutes, then it lowered entry with a \$50 tariff plan and now it is

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offering free SMS messaging across its network. Every move has been matched by at least some of SmarTone's rivals. But senior executives from three operators grumbled privately about the impact of the company's aggressive moves and wondered what SmarTone chief executive Douglas Li is planning next. With a cash reserve of US\$3.8 billion (HK\$29.6 billion), SmarTone seemed to be well placed for an acquisition spree. But no one was selling, so SmarTone did the next best thing: it shook things up in the hopes of forcing a merger. One executive admitted that the price war might cause his company's monthly revenues to fall by as much as US\$10 million (HK\$78 million). SmarTone has been attracting about 6,000 new users a month from its rivals, with New World and Hutchison also making gains. CSL, which has resisted joining the price wars, is believed to have suffered the most losses, with Sunday also a net loser.

- **Hutchison Whampoa Ltd., 65%-owner of 3G UK, reiterated that it has not decided whether to buy the 15% stake in 3G UK held by KPN NV.** According to court documents seen by Dow Jones Newswires in London this week, Hong Kong-based Hutchison has proposed triggering a clause in the confidential shareholders' agreement under which KPN may be forced to sell its stake in 3G UK to Hutchison. Hutchison started court proceedings in London against KPN early this month, claiming damages from the Dutch company because it didn't participate in a funding call by the U.K. venture.

## *Semiconductors*

- **The government-funded Hong Kong Science and Technology Parks Corp (HKSTP) has set up a chip-design center aimed at galvanizing semiconductor innovation in Hong Kong.** The Integrated Circuit (IC) Design Center is to be opened at the Hong Kong Science Park in Sha Tin, with aims of luring local and overseas firms to do chip research and development. HKSTP chief executive Tam Chung-ding said the initiative could create up to 2,000 new chip-design jobs in Hong Kong over the next three years. Mr Tam said all those involved in the center were upbeat about the center's prospects, noting that multimedia IC specialist RedRock Semiconductor of Silicon Valley and local firm Dragonchip were the first to start work at the site.

## **United States / Canada**

### *e-Commerce*

- **United Parcel Service Inc. and online auctioneer eBay Inc. said they would offer online tools to help users calculate shipping costs to ease any friction between buyers and sellers and to speed up the exchange process.** The companies said in a statement that the new tools would calculate costs for various UPS and postal services, track UPS shipments, review transit times, and print shipping labels at the point of transaction. Sellers will no longer have to toggle between eBay and UPS's Web sites to process or track shipments. They also will be able to offer buyers the ability to calculate UPS or postal service shipping costs based on their ZIP codes, making it more difficult to add extra costs to the price.

### *Hardware*

- **3Com Corp. said its fiscal fourth-quarter loss widened because of poor overseas sales and intense competition from rivals.** For the three months ended May 30th, 3Com said its loss was US\$38.4 million compared with a loss of US\$23.8 million in the same period a year earlier. Revenue plunged 41%, to US\$175 million from US\$294.8 million. The revenue drop includes the sale of 3Com's CommWorks unit, which reported sales of US\$43.7 million in the year-earlier period.

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- **Advanced Micro Devices Inc. warned that sales for the second quarter would be well below its previous guidance**, which it blamed on weakness in Asia. The semiconductor maker said it now expects revenue of about US\$615 million, below its projection of US\$715 million. AMD plans to report its second-quarter results on July 16th.
- **Corning Inc., the largest maker of fiber optic cables for telecommunications, reaffirmed its second-quarter outlook Tuesday, saying restructuring efforts would return it to profitability this year.** The company expects second-quarter results from a loss of 2 cents per share to a profit of 1 cent per share on revenue of US\$715 million to US\$745 million. The ranges match a forecast the company made May 19th.
- **Xerox Corp. said it has completed a US\$3.6 billion recapitalization designed to strengthen its balance sheet, reduce interest payments and push off debt maturities.** The company conducted offerings of US\$472 million of common stock, US\$920 million of convertible securities, US\$700 million of seven-year notes and US\$550 million of 10-year notes, and also obtained US\$1 billion of new bank financing.
- **Apple Computer Inc. Monday introduced the new "G5" computer chip, a breakthrough design by IBM, which can handle twice as much data at once as traditional PC microchips. The firm introduced a new "Power Mac" desktop computer based on the G5 chip, which can manage 64 bits of data at once, compared with 32 bits for traditional computers.**

## *Internet*

- **Google introduced several new gadgets in its popular toolbar for Web browsers, hoping to build even greater brand loyalty amid heightened competition.** The new software for the toolbar includes a feature that automatically blocks pop-up ads, as well a program that automatically fills out Internet forms seeking a customer's name and address. The function that fills in forms offers an option to store credit card numbers too, but the information is encrypted on the hard drive of a user's computer instead of Google's computers, for security and privacy reasons. The toolbar also enables users to transfer online content to Internet journals known as Web logs, or "blogs," by pressing a button.
- **DoubleClick Inc., an Internet marketing company, said online auctioneer eBay Inc. signed a global, multiyear pact to use its marketing tools and ad-serving technology.** DoubleClick said that eBay will use its services to improve the performance of the online auctioneer's own online advertising and with its new service that lets eBay sellers reach targeted buyers through keyword advertising. The deal suggests new online advertising opportunities could emerge in areas that had not been pursued before.
- **Netflix Inc. said the U.S. Patent & Trademark Office issued the company a patent that covers its online subscription-based DVD rental service.** Netflix is the leading U.S. online DVD renter, commanding about a 95 percent share of the market. It makes its money by charging a monthly fee and directly shipping DVDs to customers, who make their choices on the Internet. Netflix, launched in 1998 and sporting more than 1 million subscribers, allows customers to rent as many DVDs as they want for the monthly fee, with three movies out at a time. Customers can keep the DVDs as long as they like and they are delivered directly to the subscriber's address via first-class mail.
- **America Online said the next version of its Internet service, available to subscribers later this summer, will include more advanced e-mail features and technology to speed up Web connections.** The version -- AOL 9.0 Optimized -- emerges as the online division of AOL Time

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Warner Inc. tries to stem the loss of dial-up customers and attract high-speed subscribers with more programming and services, including those targeted at advanced Internet users, to recharge growth. AOL, the nation's biggest online service provider, said it will start an online promotional campaign to build buzz among its current subscribers for the next version, which will also include a prepaid card that allows parents to give kids an "online" allowance. Other noteworthy features include 3-D animated icons for AOL's instant messenger, advanced email handling and features, 20 megabytes of mail storage, and Web accelerator technology for its dial-up and high-speed subscribers.

- **Jupitermedia Corp., a publisher of information and tools for Internet-industry professionals, said it agreed to acquire online art provider ArtToday Inc.** from International Microcomputer Software Inc. for US\$13 million. The agreement also includes 250,000 restricted shares of Jupitermedia common stock and up to US\$4 million in cash over the next two years, depending on ArtToday's performance, Jupitermedia said. Jupitermedia publishes Internet industry news, product reviews, and how-to-guides on about 150 Web sites in its network of information channels. It also hosts online discussion forums.

## *Life Sciences*

- **Biotech firm IDEC Pharmaceutical Corp. is combining with larger rival Biogen Inc. in a stock deal worth about US\$6.7 billion.** Under the merger, Biogen shareholders will get 1.15 shares of IDEC for each of their shares. Wall Street failed to embrace the deal, sending shares of both companies down about 5 percent in heavy trading on Nasdaq. Biogen shareholders will hold 49.5 percent of shares in the new company after the deal is complete, according to the company's release. Biogen had revenue of US\$1.1 billion in 2002, while IDEC had 2002 revenue of US\$404 million, although it has been seeing far faster revenue growth than Biogen.

## *Media, Entertainment and Gaming*

- **Apple Computer said it had sold five million songs from its online music store in the eight weeks since its launch.** Apple jumped into the controversial online music business on April 28th with the new venture called the iTunes Music Store that allows customers to download for 99 US cents per song, without subscription fees. Apple said in a statement that 46 per cent of the songs have been purchased as albums, and 80 per cent of the 200,000 songs available on the online store have been purchased at least once.
- **Companies in the music and film industries indicated they are stepping up their attacks on users of Internet file-sharing networks.** The Recording Industry Association of America said it will begin gathering information that is expected to lead to hundreds of copyright suits in the next few months. The group said the suits, initially focused on people within the U.S., will target Internet users who are distributing a "substantial" number of copyrighted songs through peer-to-peer services, regardless of their ages. Universal said it wanted to send a strong message that it won't tolerate such thefts. The industries' actions signal that the free-for-all era may be ending. But with music sales down steeply and the movie industry worried that a similar fate awaits it, entertainment conglomerates are turning up the heat in hopes of deterring future theft.
- **"Star Wars Galaxies", the highly anticipated video game, will be available on store shelves next week however the game's far from complete.** Still to come, say developers, are player-owned and operated vehicles, player-run cities and space combat. Nonetheless, no massively multiplayer title has been more anticipated since Electronic Arts launched "The Sims Online" last year. Sony and LucasArts



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are hoping "Galaxies" performs a little better than "The Sims Online", of course. That title, with 100,000 paid subscribers, didn't come close to living up to EA's estimates. Even if the strength of the Star Wars name brings in a crowd on par with the 430,000 subscribers of "EverQuest", though, don't expect massively multiplayer gaming to move beyond the niche market it's been stuck in since the mid-90s.

## *Mobile / Wireless*

- **Verizon Wireless has filed a lawsuit against Nextel Communications Inc., charging Nextel with improperly acquiring prototypes of a vital new Verizon cell phone** and gaining unauthorized access to Verizon Wireless's network. Verizon Wireless is soon expected to roll out an offering competing directly with Nextel's popular "Direct Connect" service, which allows cell phone users to communicate using a walkie-talkie like feature. The feature, also known as "push to talk," has helped Nextel build a huge business-customer base with the highest average revenue per user and lowest customer turnover rate in the U.S. wireless industry.
- **Research In Motion Ltd., maker of the BlackBerry e-mail device, reported a smaller first-quarter loss and raised its second-quarter revenue and earnings forecasts.** The company said its loss narrowed to US\$8.2 million for the quarter ended May 31st, from \$10.7 million a year earlier. Research In Motion took a US\$7.5 million provision in the quarter as part of a patent infringement lawsuit with privately held NTP. Excluding provision for the litigation, RIM reported an adjusted loss of just \$700,000 or 1 cent a share. Twenty-two analysts surveyed by First Call and 21 analysts surveyed by Reuters Research had expected, on average, an adjusted loss per share of 9 cents. Sales rose to US\$104.5 million from US\$71.6 million. That topped average forecasts of US\$95 million by analysts and beat the company's own April estimate of US\$90 million to US\$100 million for the quarter.
- **Verizon Wireless effectively endorsed a recent ruling that says cell phone customers should be able to take their telephone numbers with them** when they switch carriers, reversing the company's earlier position on the issue. The move of the nation's largest wireless company comes just more than two weeks after a federal appeals-court ruling paved the way for wireless-number portability and makes it less likely that Congress will delay or kill the ruling before it is scheduled to go into effect Nov. 24th. The about-face is not surprising since the carrier has the country's most extensive network, and analysts expect it to attract new customers thanks to number portability.
- **Palm Inc. reported a narrower quarterly loss on improved sales.** The company said its net loss was US\$15.1 million for its fiscal fourth quarter ended May 31st, compared with a net loss of US\$27.5 million a year ago. Earlier this month it set plans to split its hardware and software units and to acquire rival Handspring Inc. The company also said it sees fiscal first-quarter sales in a range of US\$175 million to US\$185 million, up slightly from a year ago.

## *Software*

- **Sun Microsystems said it had definitively agreed to acquire Pixo, a privately held software company, in an all-cash deal.** Financial terms were not disclosed for the deal, which is expected to close within Sun's financial first quarter ending September 30th. Sun said Pixo sold software that helped companies manage the distribution of games, ring tones and other digital content to cellular phones and other mobile devices. The acquisition is expected to aid Sun's strategy of expanding its Java programming technology. Java is a layer of software found on high-end cellular phones that lets programmers design software that works in different phone platforms.

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- **Microsoft Corp. said it launched its newest version of software for mobile devices as it aims to take a larger share of the mobile software market.** The firm also used the launch to re-brand its software for handheld computers and mobile phones with the name "Windows Mobile." Microsoft has been competing fiercely over the last few years to unseat Palm Inc. as the standard for software that lets users track contacts, schedules and perform a variety of task on mobile devices.
- **HP is rumored to be gearing up for more acquisitions since CEO Carly Fiorina said at an analysts meeting** earlier this month that services and software are two areas where the company might look to acquire companies. Wall Street has warmed to HP in recent months as the company continues to narrow losses in its enterprise division -- which sells storage and servers -- and makes improvements in its personal computer segment, which competes aggressively with Dell Computer. Still, further moves to diversify away from these two notoriously tough businesses would probably be welcomed.
- **Microsoft Corp. is assembling a team of experts charged with battling the accelerating spread of spam as unsolicited e-mail clogs in-boxes worldwide.** At risk is the usefulness of e-mail itself, which has allowed people to communicate more quickly and efficiently, said Kevin Doerr, who has been named to direct Microsoft's spam-fighting strategy.
- **Oracle Corp. Chief Executive Larry Ellison reiterated that he expected PeopleSoft Inc.'s shareholders would ultimately accept his US\$6.3 billion hostile bid despite signs investors want more.** Ellison, chairman and co-founder of the world's No. 2 software company, also attempted to soothe concerned PeopleSoft customers by vowing Oracle would take good care of its smaller rival's clients if the bid were successful. Oracle made its bid for enterprise software maker PeopleSoft almost three weeks ago, shortly after that company agreed to take over fellow software maker J.D. Edwards. Together PeopleSoft and J.D. Edwards would threaten Oracle's number-two position in the business automation software market behind SAP AG.
- **Microsoft Corp. will not have to include Java software from rival Sun Microsystems Inc. in its Windows operating system.** A federal appeals court overturned a preliminary injunction issued last year that would have required Microsoft to include the Java programming language in Windows and in its Internet Explorer software. The three-judge panel of the U.S. Court of Appeals for the Fourth Circuit, in Richmond, Va., gave Sun a small victory by upholding a second preliminary injunction stopping Microsoft from distributing products that infringe Sun's copyright of Java. Sun had alleged Microsoft had distributed Java without a license. The ruling is a step in the long-running struggle between the companies over Java, a Sun technology that can be used to write programs that run on many kinds of computers.

## Europe

### *Media, Entertainment and Gaming*

- **Eidos PLC, a United Kingdom-based game-software company, said a delay in the release of a multi-language version of its Tomb Raider game would significantly reduce its pretax profit** in the 12 months to June 30, 2003. The firm admitted it will miss the end-June deadline it had set for the mass launch of the multi-language Tomb Raider version as it is still awaiting final approval on the Playstation 2 version of the game in Europe. However, Eidos said it will still meet market expectations for aggregate pretax profit over the two financial years to June 30, 2004 as the start of bulk revenue generation will simply be pushed forward into July, the start of the second year.



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## *Mobile / Wireless*

- **The British High Court upheld a decision by telecommunications regulator ordering the country's four big mobile-phone operators to cut the cost of some calls.** Vodafone PLC, Orange SA and T-Mobile AG had contested the order by the government-appointed Office of Telecommunications, also known as Oftel, which claimed people were being overcharged. Oftel's decision also targeted O2, which didn't challenge the cuts. Judge Alan Moses ruled that Oftel was entitled to take action and had adopted "a reasonable and justifiable approach." The new rules could save consumers £190 million (US\$317.3 million) each year until 2006. The legal row had centered on "termination charges," or the price mobile operators charge each other and BT PLC for putting callers from rival networks through to their customers.
- **Orange SA said it can both provide the cash for parent company France Telecom SA's debt reduction and meet new growth targets** through alliances, customer segmentation and network improvement. Chief Executive Sol Trujillo told a news conference it was a "myth" that Orange was slowing down investment as a result of the cash requirements of France Telecom, which owns 87% of the mobile operator. The mobile-telecommunications network operator raised its growth target for EBITDA to between 15% and 17% a year from 2003 to 2005. It expects EBITDA of at least €6.2 billion (US\$7.16 billion) in 2003 and plans to increase its EBITDA margin to 40% in 2005.

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## Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 6/27/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/ 2003	% Change Last 12 Mth.
Japanese yen	¥/US\$	119.6100	-1.1%	-9.1%	-0.7%	0.1%
Hong Kong dollar	HK\$/ US\$	7.7983	0.0%	0.0%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	8.2774	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.7567	-1.1%	-4.9%	-1.3%	0.7%
South Korean won	KRW/ US\$	1194.4500	-0.3%	-9.1%	-0.7%	0.7%
New Taiwan dollar	NT\$/ US\$	34.6150	-0.1%	-1.1%	0.1%	-3.5%
Australian dollar	US\$/A\$	0.6678	-0.1%	31.0%	18.9%	18.7%
New Zealand dollar	US\$/NZ\$	0.5823	-0.2%	39.9%	11.0%	19.4%
Philippine peso	PHP/ US\$	53.6450	-0.6%	3.9%	-0.1%	-6.2%
Euro	US\$/€	1.1434	-1.5%	28.5%	9.0%	15.3%
British pound	US\$/£	1.6495	-0.9%	13.5%	2.5%	7.6%

## Fixed Income Prices and Yields

Note	Currency	Current (on 6/27/03)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	112.3438	4.60%	114.9219	4.43%	116.5781	4.34%
Japan 30-year	¥	121.5505	1.17%	124.6820	1.05%	127.3630	0.96%
Hong Kong 10-year	HK\$	125.2911	3.13%	126.6860	2.93%	126.1202	3.05%
China (10/2027)	US\$	150.5576	4.17%	152.5639	4.08%	151.8698	4.11%
Singapore 10-year	S\$	118.1580	1.84%	118.9807	1.74%	119.2500	1.73%
South Korea 10-year	US\$	124.6334	3.27%	125.4077	3.14%	125.8532	3.11%
Australia 15-year	A\$	111.2935	5.03%	113.1270	4.82%	112.5100	4.90%
New Zealand (07/2009)	NZ\$	109.5540	5.14%	110.4372	4.98%	108.8611	5.28%
Philippines 20-year	PHP	148.8647	11.94%	147.6299	12.06%	144.6133	12.34%
India 20-year	INR	149.6032	5.98%	149.6524	5.98%	148.6301	6.06%
UK 30-year	£	94.6290	4.58%	96.8853	4.44%	98.6967	4.33%
Germany 30-year	€	111.3250	4.75%	113.5087	4.62%	113.8636	4.56%

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