

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



Week of 29 August - 4 September, 2004

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International

Information Technology

- **Information technology analysts are bullish about the resurgence of enterprise resource planning (ERP) after experiencing a sluggish market during the past two years due to economic slowdown and global security fears.** The next-generation products will be under a new banner---enterprise resource management (ERM)---and is expected to better address company needs. According to research firm International Data Corp, there is a pent-up demand for integrating ERP systems to boost productivity. Typically, an ERP is an end-to-end solution composed of more than 20 applications including financial, human resources, purchasing, manufacturing and distribution and warehouse management. Included as well are the other means to calculate information that is unique and difficult to handle any other way. But the complexity and often long implementation cycles resulted in cost overruns that disappointed many IT executives. These resulted in some companies selectively choosing and deploying only specific functions relevant to their business operations.

Internet

- **Internet access provider iPass closed a deal with Connexion by Boeing to offer a secure, in-flight global broadband roaming service.** The partnership would enable corporate information technology managers to extend the productivity of their mobile workers from hotels and airports to aircraft in flight, using 802.11b network connection commonly known as Wi-Fi. Silicon Valley-based iPass claims to operate the world's largest Wi-Fi roaming infrastructure, with more than 11,000 active hot spots in 33 countries. The company counts about 528,000 distinct monthly users worldwide. Boeing's Connexion unit started its satellite-based, wireless high-speed Internet access service in May with launch partner Lufthansa. The typical Internet connection on board an aircraft is about one megabit per second. Other commercial passenger airlines with definitive agreements to equip their long-haul aircraft with Connexion service include Japan Airlines, All Nippon Airways, Scandinavian Airline System and Kingdom Holding.
- **The world is running out Internet addresses. The supply of 12-digit IP addresses that keep the Internet moving is limited.** The present address system, known as Ipv4, was first designed almost 30 years ago. At the time, no one could have predicted just how the networking industry would change and expand out of control. PCs are not the only electronic products connecting to the Internet these days. Mobile phones are rapidly joining the information superhighway. The good news in this eventuality was spotted more than a decade ago and the global Internet community has stepped into to introduce a new protocol called Ipv6. The key feature of Ipv6 is a new system that will increase massively the number of available Internet addresses.

Mobile / Wireless

- **The global mobile phone market is in danger of overheating if it continues to grow at current rates, potentially hurting sales early next year, according to the latest data from research company Gartner.** Unit sales of mobile phones rose 35 percent to 156.4 million in the second quarter from 115.8 million in the same period last year, with all regions recording strong growth. It was the highest-second quarter sales figure on record, and was marginally ahead of the 153 million in the first quarter. Among the handset makers, the main focal point in the figures was Nokia's attempt to halt the

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slide in its market share. According to the report, Nokia paid the price for stabilizing its market share quarter on quarter with lower average selling prices and profits. Nokia sold 46.4 million handsets in the second quarter, up from 41.2 million previously. Gartner said growth came from Latin America and China. It also said the introduction of products at Motorola would be important in the battle for market share.

Semiconductors

- **The world's biggest maker of semiconductors startled global markets with a big cut to its revenue and profit margin estimates, sparking a global sell-off in technology stocks.** Intel's shares dropped significantly after the world's largest technology company cut its revenue and profit margin forecasts. In Asia, the MSCI information technology index fell almost 2 percent against a 0.6 percent weekly loss for the broader MSCI Asia-Pacific Index. Other chipmakers and semiconductor manufacturers, such as TSMC, UMC, Samsung Electronics and Hynix Semiconductor, saw their share prices falling by 3-4% after the announcement from Intel.

Japan

Internet

- **En-Japan Inc., an Internet job information service provider, seeks to boost parent-only-pretax profit to 6.9 billion yen (US\$63 million) in the business year to December 2008, up 290% from 2003, company sources said.** The Tokyo-based company, which has so far focused on ads for mid-career hires, hopes its new business of handling ads designed to recruit college graduates will help it attain the earnings targets. En-Japan took over the new business from an affiliated firm in June. The job information site intended for recent graduates held 345 registered users as of the end of June. The company expects the operation to chalk up sales of 870 million yen (US\$7.9 million) in the current year, but post a pretax loss of 100 million yen (US\$0.9 million) mainly due to personnel costs.

Software

- **Oracle Japan has announced that it has begun marketing the Oracle E-Business Special Suite Special Edition (EBS-SE) with the newly developed Kanban Template primarily targeting Japanese auto parts manufacturers operating in China.** EBS-SE is a suite of solutions that enable users to manage customer interactions, ship orders, collect payment, and other tasks using a single database. With the number of Japanese auto parts manufacturers entering the Chinese market lately increasing, Oracle Japan has bundled EBS-SE with the new kanban (just-in-time) production solution module. Kanban production is the mainstream manufacturing method in the auto industry today. The new solution pack, including hardware and installation and first-year maintenance costs, sells for 25 million yen (US\$228,000).

Telecommunications

- **Softbank Corp. will enter the fixed-line telephone business in December using its own infrastructure.** The Japanese Internet business company did not specify a target for subscriber numbers or an investment amount. The firm will build relay facilities in the telephone stations operated across the country by the former telecommunications monopoly, Nippon Telegraph & Telephone Corp. Using the new facilities and the existing service network of its telecommunications subsidiary, Japan Telecom Co., Softbank aims to offer fixed-line services at a cheaper rate than NTT.

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- **Shares of Japan's telecommunication giant Nippon Telegraph & Telephone Corp. dropped on concerns that an up-and coming rival could deal a blow to its business by offering cheaper fixed line services.** Investors sold shares of NTT, as well as Japan's second largest telecommunication carrier KDDI Corp., following a report that Internet business company Softbank Corp will start a fixed line phone service in December that charges 10%-20% lower base fees than NTT.
- **Global Access Ltd. plans to begin offering a 10 Gbps Ethernet leased line service between Tokyo, Nagoya and Osaka in September.** The telecommunications firm will charge 10.8 million yen (US\$99,000) a month for a Tokyo-Osaka line around three times the fee it charges for its existing 1 Gbps Ethernet leased line service. The 10 Gbps service, which comes with a bandwidth guarantee, will also be offered for Tokyo-Nagoya and Nagoya-Osaka communications at 7.2 million yen (US\$66,000) a month. Global Access believes the high bandwidth will attract demand from television stations, Internet service providers and R & D institutions.

Korea

Internet

- **eBay offered about US\$530 million to buy the remainder of South Korean affiliate Internet Auction as it pushes deeper into Asia.** The world's biggest online auctioneer agreed to pay key institutional shareholders US\$325 million to raise its stake in South Korea's industry leader to 86 percent from 62 percent. Internet Auction has 9.9 million subscribers, more than 20 percent of the country's population, and had 2.5 million items up for auction at the end of June. Internet Auction competes with Daum Communications, LG e-shop and Interpark in providing fixed-price online shopping. EBay has zeroed in on Asia's emerging market, battling auction rival Yahoo! in China and elsewhere in its quest to meet Wall Street's growth expectations.
- **Korean online music website Bugs said that it is negotiating with Chinese Internet companies to set up a Chinese joint venture for China's online music market.** Chinese Internet portals Sina and eTang are potential partners. According to officials of Bugs, the joint venture would include a US\$100 million investment, with the Chinese partner investing 30 percent. Negotiation results will be released by the end of this month. Bugs also hopes the joint venture can start services by the end of this year and list on NASDAQ in the future.

Telecommunications

- **KT Corp., Korea's largest fixed-line and broadband Internet carrier, will invest 18 trillion won (US\$15.6 billion) by 2010 in new growth businesses such as next-generation mobile communication and home networking.** The announcement comes after the former state fixed-line monopoly disclosed plans to increase its revenue to 27 trillion won (US\$23 billion) by 2010 from 11.6 trillion won (US\$10 billion) in 2003. The company denied speculation that KT may absorb its mobile affiliate KT Freetel Co. and Internet portal unit KT Hitel Co. to enhance their competitiveness. The number of fixed-line customers in Korea declined to 22.8 million at the end of 2003 from 23.4 million a year earlier. Meanwhile, the number of mobile phone customers has been continuing to grow, reaching the 35 million mark this year. Mobile phone customers surpassed fixed-line connections in 1999.
- **The government picked three consortia, respectively led by SK Telecom Co., KT Corp. and Dacom Corp., to take up trial operations of new networks for converged telecom and broadband services.** The broadband convergence network is designed to provide Internet access at

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speeds of 50 Mbps to 100 Mbps, about 50 times faster than current conventional services, with nationwide coverage. The network infrastructure is expected to provide the backbone for future communication and computing services, such as Internet protocol version 6 (Ipv6), next-generation mobile telephony, radio-frequency identification technology and other advance solution. KT controls more than 95 percent of Korea's fixed-line market and 51 percent of the broadband Internet market. SK Telecom controls 18.7 million of Korea's 35 million mobile-phone customers representing a market share of 51.6 percent.

China

Internet

- **Electronic signatures will carry the same legal weight as seals and handwritten signatures in business transactions on the mainland starting from April.** E-commerce has been growing rapidly, and with domestic revenue amounting to US\$60 billion last year, and there have been growing calls for legislation to protect those involved in online transactions. An electronic signature is a unique sequence of characters, a scanned-in signature, a fingerprint scan or other form of personal code with which Internet users can prove their identity. The Law on Electronic Signature was signed at the end of a Standing Committee meeting of the National People's Congress. Under the legislation, people convicted of forging electronic signatures, falsely using another person's signature or stealing passwords containing e-signatures will be punished under criminal law, while infringements resulting in financial loss will be subject to civil law. The legislation stipulates that providers of online signature certification must be approved by governments and will be liable for claims by clients if the regulations are violated
- **Baidu's acquisition of hao123.com has become the focus of the 2004 China Internet Conference and Asia-Pacific Region Digital Technology Exposition.** It is being reported that Baidu is now the official holder of the domain name registration record for hao123 despite the fact that Baidu has kept the issue decidedly low key and refused to disclose any details about it. Most domain name researchers are taking this as proof that the Chinese acquisition has been settled, and that Baidu will dominate not only Chinese web page searching but also web page browsing.
- **Dangdang.com, China's largest online Chinese book retailer, is said to be regretting its decision to turn down Amazon's takeover bid hoping to get higher prices, after its rival, Joyo.com announced its merger with Amazon.** Earlier in April, Amazon offered US\$150 million to buy a 70 to 90 percent stake in Dangdang. After four months of talks, the Chinese bookseller officially announced it was turning down the offer. They claimed the company needed an investor but not a buyout. Two weeks after the announcement and without the knowledge of Dangdang, Amazon bought Joyo with US\$75 million. But Dangdang was not optimistic about the union of Amazon and Joyo, and said the companies would need years to adjust to each other's very different management and operation styles. The company said it has stepped up plans to seek an initial public offering on the NASDAQ stock market in 2005, two years earlier than its original plan. Experts, however, are worried about Dangdang's future. An analyst said that unless it is able to get huge funds, Dangdang will lose the competition. Market researcher IDC reported that Chinese consumers spent US\$4.8 billion in online shopping last year. The figure is expected to grow to US\$14.6 billion by 2005.
- **Rumors are back once more in the Chinese media that Yahoo! has been having secret discussions with Sina about a possible merger, and that their negotiations are finally making**

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some ground. Reports are saying that Yahoo! will incorporate Sina into its own fold, after which Sina would then take in Yahoo! China in return. The CEOs of each side, so far, have stated that they know nothing about this issue. It is, however, generally thought in the industry that such a merger is quite likely since the two sides are so complementary to each other. Yahoo! is mainly involved in searching, e-commerce, email and instant communications, while Sina emphasizes news and event reports. Both are also listed companies, which would make it easier for them to undergo the necessary capital procedures. Despite these factors, it is believed also that the two companies would face difficulties on the Chinese side. As Sina is very influential in spreading information, it is not known whether Chinese policy-makers will allow the incorporation.

- **eBay's Chinese subsidiary Eachnet is considering launching a B2B trading site to challenge Alibaba's home territory after the latter launched its auction site, Taobao.** An Eachnet official told the press that the company might expand its services to small and medium enterprises (SMEs). The cost of online trading is much lower than that of offline trading, which could be attractive to SMEs. Eachnet would be happy to provide such a platform for SMEs. Eachnet has never defined itself as strictly C2C portal.

Mobile / Wireless

- **An independent supervision organization, the State Telecommunications Management Commission, is planned to supervise the country's telecommunications fee system.** The China Academy of Telecommunications Research, under the Ministry of Information Industry, said that the telecom industry is in need of effective and efficient supervision as the sector is currently exposed to fierce competition and rampant price wars. The panel is being jointly established by the Ministry of Information Industry, the State-owned Assets Supervision and Administration Commission and the State Development Reform Commission.
- **China Telecom will adopt a cautious approach to the introduction of its third-generation (3G) mobile network after it receives its license, a strategy that will greatly reduce its capital-expenditure budget.** According to the company, its 3G capital expenditure will be substantially lower than the amount that the market is talking about, after its announcement of a 28.1 percent increase in adjusted first-half profit--to 1.5 billion yuan (US\$179 million)--from the 20 provinces in which the company operates. Industry watchers had speculated that China Telecom was facing a 90 billion yuan (US\$11 billion) bill to build a nationwide 3G network, using WCDMA technology.
- **A mainland company formed to promote TD-SDCMA, the home-grown third-generation (3G) mobile-phone technology, is seeking additional funding amid lingering doubts about prospects for the standard.** Royal Philips Electronics---which formed T3G Technology along with the mainland's Datang Telecom and South Korea's Samsung---says it is confident the standard will be among those chosen when the central government issues 3G licenses, expected by the middle of next year. The central government has put off issuing 3G licenses, leading industry watchers to speculate the delay is to give TD-SDCMA time to develop. Philips had US\$7.5 billion in mainland revenue last year, up from US\$6 billion in 2002.
- **Linktone Ltd., a provider of wireless value-added services announced it has extended and effected several changes in its lock-up arrangements with its major shareholders.** As a result of these arrangements, 51% of total outstanding shares or 68% of pre-IPO shares outstanding will be fully locked-up through the earlier of the second day after the company's third quarter earnings release or November 15, 2004

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Taiwan

Information Technology

- **Hon Hai Precision Industry said it posted an 18 percent year-on-year rise in first half profit on the back of its strategy to increase outsourcing and cut costs.** The company, one of the world's largest contract-manufacturers of information technology and communications products, reported net profit of NT\$13.3 billion (US\$389 million), up from NT\$11.3 billion (US\$333 million) a year ago. Sales rose 28 percent year-on-year to NT\$174.3 billion (US\$5.1 billion). The company would continue its components, modules, moves and services (CMMS), strategy to increase outsourcing and upgrade competitiveness.

Hong Kong

Mobile/Wireless

- **Several Hong Kong mobile operators are eyeing push-to-talk services but are reluctant to follow New World Mobility's lead until the industry adopts open standards that will allow competing handsets to communicate with each other.** New World Mobility will be the first operator to launch the walkie-talkie service, which enables instant communication with the one or more users at the touch of a button. The company has chosen Nokia as its vendor and plans to introduce four handsets made by the Finnish phone maker in the third quarter. At present, Nokia handsets can talk only to other Nokia phones, raising concerns among operators who do not want to be locked into using a single vendor. Rival Motorola also provides push-to-talk technology, but on a different standard. The company expected the Open Mobile Alliance, a standards-setting group, to adopt a global push-to-talk technology by the fourth quarter next year.
- **Hutchison Whampoa has cleared the final regulatory hurdle standing between it and a US\$1.5 billion spin-off of its second-generation (2G) mobile-phone businesses in eight markets, submitting a public filing to the Securities and Exchange Commission in the United States.** It is the last regulatory step for 2G unit Hutchison Telecommunications International Ltd (HTIL) before it can start marketing the sale of shares next week. HTIL is planning to list in Hong Kong and New York in the middle of next month. Hutchison shareholders have been given the opportunity to subscribe for HTIL shares based on a 75 to 1 ratio. Hutchison will sell existing shares, which means HTIL will receive no money from the sale.

Singapore/Malaysia/Philippines/Indonesia

Mobile / Wireless

- **Frost & Sullivan says there is a growth potential in Singapore market for mobile technology.** The development of mobile data applications in Singapore is still lagging behind but by the end of this year when 3G rolls out more advanced applications, multimedia downloads, location-based services and enterprise solutions will take off in Singapore. One challenge though is how to differentiate data offerings. All three service providers ---SingTel, StarHub, and MobileOne---in Singapore are providing

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relatively similar mobile content application. Another is the heavy reliance on messaging applications rather than on entertainment apps.

- **Indonesia's second-biggest telecommunications company Indosat announced a first-half net profit of US\$77 million, a 78.5 percent year-on-year rise, due to growth in its cell phone business.** It said sales increased 30.7 percent to 5.1 trillion ruppiah (US\$546.7 million), with the cellular business up 51 percent to 3.37 trillion ruppiah (US\$363.4 million). The company said its mobile phone services attracted 1.4 million new subscribers during the first half, ending the period with 7.4 million users, up 70.6 percent from a year ago. According to Indosat official, the cellular sector had showed better than expected results and was now the company's main focus.
- **Smart Communications, the largest mobile phone operator in the Philippines will enter a highly competitive Hong Kong market using a business model that many others have tried with little success.** Smart will sell voice and text services as a mobile virtual network operator (MVNO), leasing capacity from CSL. It will target an estimated 180,000 Filipino workers in Hong Kong, 87 percent of whom already own a mobile phone. The Philippines operator is challenging conventional wisdom that Hong Kong's market is simply too tough for MVNOs to survive in. Virtual operators account for just 1 percent of all voice revenue.

United States / Canada

Hardware

- **Technologies that let people record satellite and Internet radio broadcasts digitally are opening a new front in the recording industry's war on piracy.** The latest trouble comes of a hardware/software combination that has catalyzed a new type of backdoor recording: a program called TimeTrax, developed to record broadcasts from XM Satellite Radio's PCR receiver. TimeTrax allows users store XM broadcasts, channeled through PCR receiver, on a computer as individual tracks in the MP3 or WAV formats. Recordings can be scheduled at different times over multiple broadcasts. Since the TimeTrax program debuted on the Internet earlier this month, XM retailers saw a crush of demand for the PCR units, which first hit the market about a year ago for under US\$50.

Internet

- **Akimbo Systems, a Silicon Valley start-up, is hoping to become the first major provider of cinema straight from the Internet to the living room.** With new video and copy-protection technologies, and the rapid expansion of high-speed broadband connections, the time may be ripe. Akimbo hopes to tap the vast vault of programming floating on the Internet, repackage it in DVD – quality, and bring it to a set-top box so viewers can easily choose what they want to watch from their sofa---not from their desktop. Akimbo also faces steep competition from larger rivals in the potentially lucrative market. SBC Communications and EchoStar Communications have teamed up to launch an online movie-on-demand service next year. Digital video recording pioneer TiVo is also working on a product that will connect web content to TV screen.

Semiconductors

- **AMD took the wraps off its first ever x86 64 bit-dual-core processor during demonstrations held at the company's Austin facilities.** The semiconductor maker is showing an HP Proliant DL585 server powered by four dual-core AMD Opteron processors manufactured on 90nm silicon-on-insulator

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process technology. Each core contains 1 MB of Level 2 cache. The dual-core Opteron is a milestone of sorts for the No. 2 chipmaker, which has set in motion an industry-wide transition to bring 64-bit computing to the x86 architecture. Semiconductor manufacturers like AMD and its chief rival Intel are choosing the path of dual-core chips in order to meet the continuing need for fast processing cycles; single-core silicon is beginning to hit a wall of heat dissipation and power consumption.

- **Intel announced it had achieved a milestone in shrinking the size of transistors that would power its next-generation chips.** The California-based company said it had created a fully functional 70 megabit memory chip with transistor switches measuring just 35 nanometers--about 30 percent smaller than those found on today's state-of-the-art chips. By shrinking the size of the transistors and other features etched into the silicon, more of the tiny devices can be squeezed onto a single chip. As a result, microprocessors become more powerful and memory chips can store more data without growing in size. Intel said products built with its 65-nanometer process technology are on track for delivery in 2005.

Europe

Mobile / Wireless

- **France Telecom is to pass into the private control, with the government cutting its stake below 50 percent to pocket some badly needed cash just two years after the group was rescued from debt crisis.** The privatization was launched with the government announcing the sale of 9.6 percent of its shares. The state would retain 41 percent to 43.5 percent of the capital and planned to remain a major shareholder in the medium term.
- **Nokia, the world's largest mobile phone maker said that it had received an order from Taiwan Cellular Corporation (TCC) for next-generation MCDMA, or 3G, mobile phone network equipment.** No financial details were disclosed but analysts estimated the value of the deal to be around US\$240 million. Under the agreement, Nokia would deliver both the network's base stations as well as its core infrastructure, with the aim of having TCC's 3G service up and running in the first quarter of 2005, the Finnish group said. TCC is Taiwan's largest mobile phone operator, serving over eight million subscribers on the island.

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