

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



Week of 19 September - 25 September, 2004

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International

Mobile/Wireless

- **A group of communication firms are pushing for the adoption of technologies that allow for in-flight use of handsets.** United States-based transport communications specialist Arinc and Norwegian telecommunications services provider Telenor are investigating opportunities for their Mobile Connectivity System – an in-flight, global system for GSM phone service in the Asia Pacific region. The system enables airline passengers to use personal GSM mobile phones in flight just as on land without any enrolment, sign-ups, credit cards or keying in of extra digits. With the Arinc-Telenor system, passengers will be able to make and receive phone calls and send or receive text messages as they do on the ground. Their new technology will initially use the Inmarsat satellite communications system, in which many airlines have already invested. According to a recent survey conducted for Arinc and Telenor, nearly half of all international business fliers would prefer to travel on airlines that allow the use of mobile phones in flight.

Software

- **Microsoft is expanding a programme to give organizations access to some of its tightly guarded software blueprints amid growing competition from rivals who make such source code freely available.** Microsoft will offer more than 60 governments and international organizations the option of viewing the proprietary source for the latest version of its ubiquitous Office Software, including the Outlook e-mail program, Microsoft Word and Excel spread sheet application. The move come as an increasing number of governments and companies are looking at switching to “open source” alternatives such as Linux. Proponents said open-source software was cheaper to run and less of a target to security threats because the underlying code – any improvement – were freely shared. According to a Microsoft Source, open-source alternatives were gaining traction, particularly with overseas customers.

Japan

Hardware

- **Major Japanese manufacturers of personal computers are taking steps to cut product delivery times in order to reduce their inventory and distribution costs and gain a better competitive footing with foreign manufacturers.** Fujitsu aims to cut its inventory to less than half of its fiscal 2000 level by the end of the current fiscal year. As it shifts PC production to China, Toshiba Corp. has begun shipping products for the U.S. market directly from its plant in Hangzhou. With overseas markets accounting for more than 70% of the firm's PC sales, it also plans to directly ship products bound for Europe and Asia. NEC Corp has made Tokyo the central base for its distribution center, which had been dispersed in 13 locations nationwide. According to U.S. research firm IDC, worldwide PC shipments in 2004 will increase to 176 million units, up 30% from 2000, but the total value of goods delivered will increase 20% to 190 billion dollars.
- **Mitsubishi Electronic Corp has developed a compensation technology for scanners which enables pictures and text to be captured more faithfully, without the white lines and lost sections that can normally appear in the scanned material.** In Mitsubishi's new technology, the

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data around the edges is analyzed with single-dot resolution. Mitsubishi claims this can produce scans that are nearly identical to the original. The company plans to ship samples of products using the new technology to makers of printers and personal equipment as early as November.

Information Technology

- **IBM Japan Ltd. and Cisco Systems KK will jointly develop and market a system that guards corporate communications networks against internal attacks.** IBM's communication network management software and Cisco's equipment will be used together to prevent unsecured personal computers from connecting to corporate networks. The partners will start marketing the system later this year with the goal of winning orders from 300 corporate clients by the end of 2005. In the new system, IBM's management software will set the conditions for granting network access, and Cisco's communication equipment will deny it to those unable to meet preset conditions, such as PC's lacking up-to-date operating systems. A system covering 500 PCs will carry prices beginning around 6.3 million yen (US\$57,000), including software and dedicated servers.

Media, Entertainment and Gaming

- **Nintendo and Sony made separate product announcements that the video game giants hope will attract more customers ahead of the highly competitive holiday shopping season.** Nintendo's handheld device, called Nintendo DS, would arrive in North American stores for US\$149.99 in November. Rival Sony, meanwhile, announced a much slimmer, reworked Play Station 2 designed to cut manufacturing costs amid fierce competition in the console market, which includes Nintendo's own GameCube and the Xbox from Microsoft. The DS and PS2 are not competing against each other, but analysts said the timing of the announcement was important for both companies. December alone typically accounted for about half of the industry's annual revenue, which now tops US\$10 billion annually. Nintendo decided to release the DS in North America before Japan – a first for the Tokyo-based company – because it fit better with holiday shopping pattern.
- **Sony Computer Entertainment Inc. said that its successor to the PlayStation 2 would feature next-generation Blu-ray optical disc technology.** Blue-ray is a standard for the successor to DVDs that is being promoted by Sony Corp. and others. Companies such as Toshiba Corp. are pushing the rival HD-DVD standard, but the use of Blu-ray by SCE, which controls an overwhelming share of the game console market, poses a formidable challenge. One of the selling points of the new game console is expected to be its high-resolution graphics, which would make game discs that can store a massive amount of data essential. Blu-ray discs can store 54GB, far more than the 30GB offered by HD-DVD. SCE has an 80% share of the Japanese game console market and is the leader worldwide. The firm has shipped more than 170 million PlayStation and PlayStation 2 consoles over the past 10 years. Meanwhile, companies such as Sony and Matsushita Electric Industrial Co. have begun offering Blu-ray compatible DVD recorders.

Mobile/Wireless

- **NTT DoCoMo will form a partnership with Cingular Wireless LLC, the second-largest U.S. cellular phone service company, with an eye toward unifying the technical specifications of 3G cell phones and services.** The partnership of DoCoMo and Cingular, which would be the biggest Japanese and cell phone service providers, is expected to lead to cheaper handsets and improved convenience, as users will be able to use the same handsets in both Japan and the U.S. A DoCoMo-Cingular alliance would cover some 90 million customers and would be second only to the U.K's

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Vodafone Group Plc among cell phone service providers in Japan, the U.S. and Europe. The partnership will likely involve DoCoMo's offering the technologies for its W-CDMA format to the U.S. firm and the sharing of base handset software as well as the specifications for DoCoMo's i-mode mobile Internet access service. By using the size of their customer bases as leverage, DoCoMo and Cingular will likely ask handset manufacturers to lower price. Handsets compatible with DoCoMo's FOMA 3G service currently range from around 25,000 yen (US\$226) to 40,000 yen (US\$367). Depending on the scale of procurement, these prices are expected to be lowered to less than 20,000 yen (US\$181).

Semiconductors

- **Renesas Technology Corp. has partnered with the Industrial Technology Research Institute (ITRI) of Taiwan to develop a method for connecting different types of networked appliances in the home.** The two have already built a prototype board for evaluation purposes that combines the hardware and software needed to enable appliances to share data even if they use different communication protocols. The software embedded in the evaluation board enables devices like personal computers and audiovisual equipment which use the UPnP protocol to share data with appliances like air conditioners and washing machines which use the SCP protocol. Processing is done by a 32-bit RISC microcomputer chip. ITRI is promoting the SCP protocol for white goods. Renesas will supply the evaluation board to consumer electronics makers and aims through this partnership with ITRI to broaden its sales of micro-controller chips in the field of networked appliances.
- **Texas Instruments Japan Ltd., an arm of Texas Instruments Inc. of the U.S. plans to invest some 5 billion yen (US\$45 million) in its plant in Miho, Ibaraki Prefecture, between fall 2004 and the end of 2005 to increase production efficiency.** The plant, which produces digital signal processors and mixed analog/digital circuits, currently has production lines that use 125mm, 150mm and 200mm wafers. Mass production on lines using 200mm wafers started in 2003 and currently accounts for 25% of output, a figure the company aims to increase to 40%. Investment costs would be held down by purchasing used chip-making equipment and relocating some equipment from U.S. plants instead of purchasing new equipment. In addition to boosting use of 200mm wafers, the company plans to raise production of power source management and control chips, demand for which is growing in the mobile phone and personal computer industries, and connection chips that handle signals in notebook PC keyboards and liquid crystal displays.
- **A venture spawned from the University of Tokyo has developed a flat sheet that serves as a medium for signal transmission between chips, eliminating the need for wiring while providing a higher level of security than wireless transmissions.** Circuits are buried in the sheet and then sandwiched between layers of copper, conductive cloth or some other conductive material. The sheet can be used to connect a PC with peripherals. It measures only 1mm in thickness and retains the ability to transmit signals even when partially damaged. The company anticipates broad applications for the product and aims to have a commercial version ready after three or four year.

Korea

Information Technology

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- **Hyundai Information Technologies Co., a computing solutions affiliate of the Hyundai group, said it has formed an alliance with the U.S. high-tech firm to tap the global market for radio frequency identification hardware.** RFID allows people to monitor the movement of items using microchips embedded in the product or packaging. Under the agreement with Alien Technology Co., the companies will jointly develop RFID equipment including readers, tags and antennas, while marketing Alien Technology's hardware products in Korea. Hyundai Information Technologies said the partnership would speed up the companies' development of systems integration solutions for RFID networks in the retail, procurement and military sectors. Korean government officials regard RFID as a future growth engine for the nation's information technology sector. The government plans to generate 162 billion won (US\$141 million) in investment through 2010 to support the technology's development and commercialization. It expects the domestic market to grow to 4 trillion won (US\$3.4 billion) with exports of US\$750 million by 2007.

Mobile/Wireless

- **LG Electronics Inc. and Hyundai Motor Co. signed a memorandum of understanding for research and development of automotive multimedia services.** The top domestic makers of home appliances and automobiles will work closely to develop mobile services that connect autos and transportation information, home digital convergence networks and digital multimedia broadcasts, LG said. Engineer from the companies will soon draw up more detailed plans for the partnership, which will help them gain firm footholds in the fast-growing automotive multimedia industry.

Semiconductors

- **Samsung said that it had developed the world's first two-gigabyte double-data-rate (DDR) dynamic random access memory (DRAM) chip by using existing micro-processing technology.** The new DDR DRAM chip was produced by using the existing 80-nano technologies instead of technology on a scale of 65 nanometers or less. The development has shown that the expansion of semiconductor capacity is also possible by improving design and process technology, rather than micro-process technology alone.
- **Growth in global semiconductor sales would probably slow next year and memory chip sales growth could stall as a supply glut saps prices, the world's leading memory chipmaker, Samsung Electronics, stated.** The forecast came as leading players adopt new technologies to boost production efficiency, trying to catch up with Samsung. The global semiconductor market is expected to grow 20 percent this year to US\$220 billion, but it will be difficult to achieve 20 percent growth next year, according to Samsung. Sales were estimated to grow 60 percent this year to US\$43 billion. Samsung was expected to post third-quarter memory chip sales above the second quarter's US\$3.2 billion.
- **Troubled Hynix Semiconductor, the world's fourth-largest maker of memory chips last year, could be fined for shoddy accounting between 1999 and last year.** Analysts said the news was unlikely to dent the company's share price, as any fine was likely to be small. The problem, according to an official of the Financial Supervisory Service (FSS), involved the handling of 2 trillion won (US\$1.7 billion) in Hynix's financial accounts. The impact on Hynix shares would not be too big, noting any fine would be less than two billion won (US\$1.7 million). A local credit rating company also affirmed Hynix ratings.

Telecommunications

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- **The stagnant growth in the number of fixed-line and wireless communication users continued in August, with the sign-up bans on mobile carriers appearing to dampen the competition, according to the Ministry of Information and Communication.** The number of mobile-phone customers reached 36 million by the end of August, down from the 36.1 million tracked a month earlier. SK Telecom Co., Korea's No. 1 wireless carrier, had a market share of 52.1 percent with 18.8 million customers as of August. KT Freetel Co. saw its market share drop 1 percent from a month ago at 32 percent with 11.6 million customers, while LG Telecom Co.' market share increased 1.2 percent from July to 15.9 percent. The government had imposed sign-up bans for a combined 100 days on the three wireless carriers for illegal marketing activities, such as providing handset subsidies, preventing them from recruiting customers during their designated periods. Other data show the number of customers for 2.5 and third-generation telephony, which gives users mobile Internet access and video data on top of voice services, was up 1.1 percent from July at 31.2 million. The number of broadband customers reached 11.7 million in August, up from 11.7 million subscribers tracked a month earlier. KT controls 51 percent of the broadband market, followed by Hanarotelecom at 23.7 percent and Korea Thrunet Co. at 11 percent.

China

Information Technology

- **Cisco System expects its sales in China to grow by more than one-third as it invests in a mainland research facility and expands sales to telephone operators and other companies.** Cisco hopes to gain market share in China from the sale of routers – which handle Internet voice, data and video traffic – to Chinese phone companies. The company announced a US\$32 million investment over five years in a new research and development center in Shanghai. The facility will employ more than 100 people after its launch next year. Previously, China's information-technology market was too undeveloped to provide much opportunity to acquire smaller firms. Last financial year, Cisco posted a 5.4 percent increase in revenue in the Asia-Pacific region, including China, to US\$1.9 billion.
- **Storage networking equipment maker Brocade Communications Systems has stepped up its expansion in the mainland through new initiatives that bring it closer to local customers and partners.** The Silicon Valley-based company established operations in Shenzhen under the mainland's wholly owned enterprise (WOFE) scheme. This provides Brocade with a licensed business structure that allows it to work with partners and information technology service providers throughout the country. It has also formed a new marketing alliance with Langchao Group, diversified IT products in Shandong and the largest domestic manufacturer of server computers. Under the agreement, Langchao will bundle Brocade's storage-area networking (SAN) switches with its servers. A SAN is a special-purpose, high-speed network that connects different data storage devices. It is used to support backup and restoration, archival and retrieval, and sharing of data between servers and enterprise storage systems. Brocade, along with long-time competitor McData, dominates the supply of Fiber Channel SAN switches worldwide. Research firm International Data Corp (IDC) said the largest market for Fiber Channel switches last year was the mainland, with domestic sales worth US\$35.2 million. IDC forecast the Asia-Pacific market for Fiber Channel switches would reach US\$298.8 million in 2008 from US\$126.8 million last year.

Mobile/Wireless

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- **China Unicom, the world's No. 2 CDMA mobile operator by users, is spearheading the formation of a global industry alliance, with members ranging from operators to terminal manufacturers.** More than 200 representatives from 19 CDMA operators – in 16 countries – and about 26 suppliers of network equipment, handset and related technologies answered Unicom's call to join a two-day forum in Beijing. The list of CDMA operators includes Japan's KDDI, South Korea's SK Telecom, KTF and LG Telecom, Hong Kong's Hutchison Whampoa, Sprint PCS from the United States, India's Tata, Indosat of Indonesia, Spain's Telefonica Moviles Espana and others. However, the world's largest CDMA operator, Verizon Wireless, did not make it. China Unicom has about 25 million users for its CDMA network, only about five million short of Verizon's total in the U.S.. CDMA operators and equipment and technology vendors would establish several working groups shortly to help deal with standard-setting issues. Talks on common standards for dual-band handsets, able to work on both GSM and CDMA networks, and the Removable User Identity Module (R-UIM) standard, which can support easy roaming between GSM and CDMA networks, would be key focuses. Unicom was a pioneer in setting the UIM card standard two years ago. Similar to the subscriber identification module (SIM) card for GSM phones, a UIM can be removed and inserted into different CDMA phones, a feature gaining support from other CDMA operators.
- **Ericsson plans to push a new system upgrade in the mainland that will allow the country's operators to launch faster and more robust third-generation (3G) cellular-phone services.** The telecommunications equipment giant predicts the mainland will become its biggest market in the next decade and a major user of its advanced WCDMA network gear – called 3G Evolved – after the anticipated award of the new 3G spectrum licenses in the country in the middle of next year. HSDPA (high-speed downlink packet access), the initial iteration of 3G Evolved, promises shorter transmission and higher system capacity than the present WCDMA networks provide for mobile applications such as Internet access, gaming, audio and video downloads. Existing WCDMA gear can provide data rates of up to 2Mbps. Downloading a megabyte of MP3 music takes up to five minutes on second-generation cellular phones and 20 seconds for WCDMA handsets. With 3G Evolved, that works out to four seconds. Adoption of 3G Evolved would mean additional investment for software upgrade on new Ericsson WCDMA network gear. HSDPA was expected to be the first commercially deployed in Europe next year, but potential interest in the mainland could change that. United States market research firm In-Stat/MDR has forecast 118.13 million subscribers in the mainland by 2008.
- **Techfaith Wireless Communication Technology, a Chinese handset design house, had scrapped a plan to go public on Hong Kong's second board in favor of a NASDAQ listing in order to achieve a higher valuation.** The Beijing-based firm wanted to raise about US\$200 million from a NASDAQ listing in the first quarter of next year and had hired Merrill Lynch as the sole book-runner and lead underwriter. Two months ago, the company filed a listing application with Hong Kong stock exchange for a Growth Enterprise Market listing with the goal of raising US\$130 million but by listing on the NASDAQ instead, the firm has been able to boost its fund-raising target by 50 percent. Techfaith is looking to sell 25 percent of its enlarged share capital to the public, allowing for a total company valuation of US\$800 million. China Everbright Capital, which was sponsoring Techfaith's original GEM-listing plan, is now acting as its financial adviser. The company expected its earnings to more than double to 280 million yuan (US\$34 million) this year with turnover set to surpass 500 million yuan (US\$60 million).
- **Chinese mobile carriers continued to see weak subscriber growth last month, with the second-ranked China Unicom signing up 8.1 percent fewer users than in July.** China Unicom added 1.6

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million new mobile users to its two networks – GSM and CDMA – last month, representing a month-on-month growth rate of 1.6 percent, its slowest growth in the past year. China Mobile signed up 4.9 percent more new users last month than it did in July, although its growth fell short of its monthly average for the year. At the end of last month, China Mobile had 191.4 million phone users, having added 25.3 million new users this year. The 10 networks that it acquired from its parent in July contributed 27.4 million users. The 10 new network added a mere 307,000 new users last month. The growth rate in the new provinces, mainly poorer, less developed areas in western China, was far slower than the 1.7 percent month-on-month growth rate achieved by the original 21 provinces.

- **TCL Communication Technology Holdings remained bullish about the company's prospects despite concerns about the mainland handset market.** Officials at the struggling subsidiary of electronics giant TCL International said the downturn in the mainland market was temporary, and added that its partnership with French mobile phone maker Alcatel would help strengthen its market share. TCL sees the Chinese market as continuing to grow steadily although penetration is still very low at around 20 percent. The company expects a penetration of 40 percent and more than 500 million subscribers by 2008

Media, Entertainment and Gaming

- **Nanjing-based mobile games maker Bbmf is pursuing talks with several potential new partners in Japan to bring in US\$10 million of fresh capital for its expansion plans.** This strategy followed the company's recent partnership with games developer Atlus, a subsidiary of Japanese toymaker Takara. Atlus invested US\$1.1 million to take a 2.4 stake in the NASDAQ over-the-counter-listed Bbmf. This move also led Bbmf to embark on a plan to form a Tokyo affiliate that would create and sell games in Japan. The demand for mobile games was expected to be fuelled by the rapid adoption of advanced handsets designed to run games built on the Brew (binary runtime environment for wireless) or Java software platforms. Bbmf produces 20 to 30 mobile games a month. It plans to increase that output to about 40 games a month next year as it starts to market new versions of three Playstation-based video game titles that it has licensed from Atlus. Bbmf's new operations in Tokyo would harness the large pool of famous game titles and animated characters created in Japan. This would complement the low-cost game studio it had set up in Nanjing. The company also expects to triple sales revenue to US\$30 million and post a profit of US\$10 million by 2006.
- **China's first novel delivered through mobile short messaging services (SMS) was being made into a film that would also be delivered to cell phones and on the Internet.** The Taiwan-based company Bestis Technologies had bought the film rights to "Outside the Fortress Besieged", a 4,200-character, 60-chapter novel that had been sent out to mobile subscribers in short installments. Earlier a Beijing-based wireless business operator bought the domestic rights to the novel for 180,000 yuan (US\$22,000). The novel is a steamy tale of illicit love among married people and is being short-messaged in installments of 70 characters each. The film would consist of 30 to 40 segments and could be viewed on cell phones. China had about 260 million mobile phone users, the vast majority of whom use SMS. During the Spring Festival – China's Lunar Year – mobile phone users sent nearly 10 billion short messages, generating one billion yuan (US\$120 million).
- **Viacom announces a strategic partnership with Beijing Television, part of its aggressive expansion into a television content production market that is emerging from a strict state supervision.** The third-largest United States media company will team up with Beijing TV to co-produce Chinese-language music and entertainment programming for the broadcaster and other

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domestic television platforms, according to industry sources. The move coincides with efforts to further promote Viacom's flagship channels, MTV and Nickelodeon. Viacom's ultimate goal is to have nationwide coverage – especially in Shanghai and Beijing – under its own brand, a source said.

Software

- **SAP, the German software giant, invested about US\$12 million to set up a new world-class center to serve as the primary support hub for SAP's corporate customers in the Asia-Pacific region, especially those from the high-growth markets of Japan, South Korea and the mainland.** A steady move towards market deregulation, the Olympic games in 2008 and the growing number of domestic firms competing overseas are the main reasons for SAP to build up its investment in China. More than 4,200 SAP enterprise installations throughout the region should benefit from the highly skilled workforce in the global support center set up in Dalian, a major industrial and trading gateway in Northeastern China. SAP's active global support has more than 3,000 employees in more than 40 countries. It supports more than 23,400 customers running more than 79,800 SAP installations. It also performs more than 34,000 remote service sessions a year to safeguard new installations and provides more than 1,500 onsite services.
- **Red Flag Software, the world's No. 2 distributor of Linux software, said it expected to turn a profit this year as revenue grows by 50 percent.** The low-cost software, seen as rival to Microsoft Windows and older Unix business software, now ran key applications for China's postal system, 150,000 private lottery machines and more than a million desktop PCs. Research firm IDC said it had 56 percent of China's Linux market last year.

Telecommunications

- **China Network Communications (China Netcom), which is seeking a dual listing in Hong Kong and New York next month, planned to cut the size of its offer by at least 30 percent to avoid following in the footsteps of the dismal listing of China Telecom in Hong Kong two years ago.** The mainland's second-largest fixed-line operator would tap US\$1 billion from the market at most, significantly less than its earlier fund-raising target of US\$1.5 billion. The carrier's plan to scale back its initial public offering follows Hutchison Telecommunications International's decision to trim its offerings by about 30 percent. Netcom will offer fewer shares to the public, selling about 16 percent of the enlarged share capital of the company to the public instead. Fund managers are demanding at least a 20 percent IPO discount to China Telecom for Netcom's share offering as it is a much smaller operator. China Netcom is forecasting its full-year profit will reach 6.5 billion yuan (US\$785 million), so earnings multiple of 8.5 times would give the company a fair value of about 55 billion yuan or about US\$6.6 billion. The preliminary consensus valuation from Netcom syndicate members was about US\$6 billion to US\$6.5 billion.

Hong Kong

Internet

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- **PCCW has been cleared of abusing its dominant market position to exert a “price squeeze” on rival Internet service providers.** It has slashed the amount it charges customers for residential broadband connections by about 50 percent. The 38 percent disparity in price created a “significant margin squeeze” for the Internet service providers depending on PCCW’s wholesale broadband conveyance service, according to the argument of the complainants. In a report, the authority said its key concern was to determine whether PCCW had engaged in conduct, which amounted to an abuse of its dominant position in the market. It found that PCCW had not used profits from wholesale broadband sales to cover losses on residential sales.

Mobile/Wireless

- Hutchison Whampoa may be able to book as much as HK\$4 billion (US\$512 million) from spinning of its second-generation business, but the sum will be far from sufficient to offset losses in its next-generation mobile businesses or meet its promise of a future cash injection into the spun-off entity. The conglomerate kicked off its international road show for 2G and fixed-line business unit Hutchison Telecommunications International (HTIL) in Hong Kong, hoping to raise as much as HK\$8.8 billion (US\$1 billion) by disposing of a 25 percent stake in HTIL. Based on the offer price range of HK\$6.59 (US\$0.89) to HK\$7.63 (US\$0.98), the implied valuation of HTIL is HK\$30.4 billion (US\$3.9 billion) to HK\$35.3 billion (US\$4.5 billion), representing a discount of as much as 25 percent to the consensus HK\$39 billion (US\$5 billion) fair value that underwriting syndicate members assigned to the unit. With a carrying cost of about HK\$19 billion (US\$2.4 billion) on its investment in HTIL, Hutchison will sit on a paper gain of HK\$11.5 billion (US\$1.4 billion) to HK\$16.3 billion (US\$2.1 billion) from the listing. The conglomerate will, however, be able only to book a gain of between HK\$2.9 billion (US\$3.6 million) and HK\$4.1 billion (US\$5.2 million) as it is selling a maximum of only 25 percent of its stake.

Telecommunications

- **Calls for Hong Kong to press Beijing to include a proposed Special Telecoms Zone under the city’s new trade pact with the mainland are renewed.** The proposal sought fresh rights for Hong Kong telecommunications network operators to land their cable systems in Shenzhen to compete with mainland carriers offering services to enterprises across the Pearl River Delta. Mainland carriers were not restricted by Hong Kong law to terminate their cable systems in Hong Kong so they could hook up with international telecom cable networks. But local telecoms services providers could only operate within the city’s borders, missing out on offering advanced communications to more than 50,000 Hong Kong-controlled businesses in the delta region.
- **The telecommunications regulator has not been swayed by PCCW’s claims of foul play and has defended the legality of smaller rival City Telecom’s (CTI) piggyback voice over Internet protocol (VoIP).** To add fuel to the fire, mobile operator SmarTone launched another form of broadband phone service – one that allows its mobile users to make international calls over the Internet, thus avoiding IDD charges – that the regulator also said was legal. The regulator’s comments will disappoint PCCW, which has been trying to stop HKBN from offering residential phone services, which allow users to make and receive live voice calls via the Internet simply by plugging an adapter into their broadband connection, and in the process save themselves more than half the traditional fixed-line phone charges levied by PCCW.

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Taiwan

Media, Entertainment and Gaming

- **Taiwanese electronics maker BenQ has set up shop in Hollywood by buying a film production company.** BenQ shelled out US\$5 million to take a 60 percent controlling stake in Double Edge Entertainment, a feature film producer and digital special effects and animation house based in California. The move appears inspired by Sony's high-profile foray into Hollywood in 1989, when the Japanese consumer electronics giant bought Columbia Tri-Star from Coca-Cola for US\$3.4 billion. Taiwan-based Chinatrust Commercial Bank and Taishin Bank had also invested in Double Edge Entertainment and each received about a 7 percent stake. An analyst who covers BenQ said that it is not immediately clear what the long-term benefits of the deal are for BenQ, but there are potential synergies with its digital product strategy, and it opens up new opportunities for brand building. The official line from BenQ is that it will have access to fantastic content. BenQ makes a range of digital products; from liquid crystal display TVs to notebook computers and mobile phones. It is said all these products needed digital content, which made the purchase logical.

Singapore/Malaysia/Philippines/Indonesia

Telecommunications

- **Singapore Telecommunications (SingTel) said it would commercially launch its high-speed third-generation (3G) mobile service within months, putting it at the forefront of Southeast Asian telecom firms looking to roll out the technology.** SingTel, Southeast Asia's biggest telecom firm, said it would start a month-long trial for 150 customers and use their feedback to fine-tune problems before beginning full commercial operations. If the rollout is successful, SingTel will become the first telecom firm in Southeast Asia to launch commercial 3G services after spending S\$100 million (US\$59 million) to acquire a license in 2001. In Asia, only Japan, Hong Kong, South Korea and Australia have commercial 3G services. The handset being used by SingTel in the trial costs more than S\$1,000 (US\$589).
- **Singapore's third-largest telecommunications company, Starhub, announced its initial public offering of 481.8 million shares at a maximum offer price of S\$1.15 (US\$0.68) each.** At a value of S\$554 million (US\$326 million), it will be one of the biggest share offerings in recent years in Singapore, and comes amid a strong economic rebound in the city-state. Starhub offers a mobile and fixed-line telephone services, cable television and broadband Internet services. The offering consists of an international placement to investors, including institutional investors in Singapore, as well as an offering to the public including up to 16.8 million reserved shares. Starhub will join its rivals Singapore Telecommunications and MobileOne (M1) in the Singapore Exchange.
- **Singapore-based Tech Pacific Holdings said majority owner CVC Asia would decide whether to sell the telecommunications and technology distributor in a HK\$3.8 billion (US\$496 million) float.** Tech Pacific distributes computer hardware, software and components, as well as telecommunications and home digital products across Hong Kong, Australia, New Zealand, India, Thailand, Malaysia and Singapore. It makes about 40 percent of its revenue in Australia. Tech Pacific will remain headquartered in Singapore after the float better to serve its clients in Asia, where it makes about 22 percent of its sales.

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United States / Canada

Media, Entertainment and Gaming

- **Online retailer eMusic has undergone a facelift that includes a panel of music critics to help users comb its trove of independent music, nearly a year since it was sold by Vivendi Universal to private investors.** The revamped service is the latest evolution for the pioneering retailer, the first to sell digital music files online in the late 1990s. eMusic eschews copy protection technology as consumer-unfriendly, and caters to people whose tastes are largely ignored by mainstream music retailers. The major online music retailers, such as Napster, MusicNet and market-leader iTunes Music Store, sell tunes by mostly major label acts.

Internet

- **Nearly half of US Internet users said they could not go without the web for more than two weeks, with many suffering “withdrawal” symptoms while offline, according to recent survey.** The “Internet Deprivation Study” released by Yahoo and media group OMD found many web users felt impaired in daily activities such as booking travel, checking sports scores, communicating with friends and family, and paying bills when they could not access the Internet. The study is said to be indicative of the many ways that the Internet, in just 10 short years of mainstream consumer consumption, has changed the daily lives of consumers.

Europe

Mobile/Wireless

- **British mobile telephone giant Vodafone said it would introduce a range of third-generation (3G) handsets for the Christmas period.** The move followed the launch of the Vodafone Mobile Connect 3G datacard and the successful introduction of Vodafone live! With 3G. Vodafone said the new handset range, which includes models and designs exclusive to Vodafone, would enable significant improvements in imaging, music, entertainment and information. Customers can use Vodafone’s new generation of 3G phones in both Europe and Japan. Handsets will be supplied by a range of manufacturers including Sharp, Motorola, Sony Ericsson, NEC, Nokia and Samsung. The introduction marks the full global launch of 3G services for Vodafone whose previous limited 3G offerings have seen it lag behind competitors. Analysts said a pleasing aspect of the announcement was that Vodafone would be offering handsets in Japan, where it has been losing customers to domestic rivals KDDI and NTT DoCoMo.

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