

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



Week of 3 - 9 October, 2004

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International

Software

- **Mobile data security software, once meant for corporate information networks, is being primed for the mass market, as new viruses and other malicious programs threaten to infect handheld communications devices.** Industry experts say this is an initiative whose time has come because more wireless handsets, personal digital assistants and other portable communications gear are being used to handle increasing amounts of digital content over internet-linked cellular networks. With demand for this type of protection expected to accelerate, Symantec plans to play up its wireless defense capabilities for consumer security products next year. The firm has since enhanced its Anti-virus for Handhelds software to be used in Palm-powered devices and Windows Mobile-based products. Finnish security software supplier F-Secure unveiled its Mobile Anti-Virus product for hybrid PDA-phones, such as Nokia's 6670 smartphone, which runs the Symbian operating system. Research firm International Data Corp has estimated the world market for Internet security software – firewalls, encryption, anti-virus and security authentication, authorization and administration – will reach US\$14 billion by next year from US\$5.1 billion in 2000. But with demand from mobile users, the sales figures could go higher.
- **Three U.S.-based Infotech companies – Oracle Corp, Sun Microsystems, and Advanced Micro Devices (AMD) – have teamed up in a US\$30 million initiative to help independent software vendors (ISVs) develop and sell their solutions to customers in the Asean region.** The initiative will run until end-June 2005 and has a target for ISVs to generate up to US\$125 million in revenues over the next five years. In Asean, the three companies will hold joint forums to show ISVs how they can test their applications on Oracle platforms running on Sun servers with Linux as the operating system. Sun will offer 35 units of its Sun Fire V20z systems that run on AMD's Model 250 Opteron processor for this across key markets in Asean. The three companies will also help ISVs market their solutions to customers. These include Oracle's 'Simply Business Forums', which are ISV solution fairs that will be held across Asean to showcase solutions developed by ISVs to end-user customers, including ones in small and medium enterprises. Oracle said its earlier scheme called – Linux Enterprise Applications Porting (Leap) – would be also part of this new initiative. The Leap Center is the first significant Linux initiative in Singapore, and the first Oracle-Red Hat solutions center in the world, Oracle said. The two companies have committed to spend US\$20 million in software, training and resources to the center.

Japan

Hardware

- **A new class of enterprise storage systems from Hitachi Data Systems (HDS) promises to streamline and automate common management tasks across all storage system devices, including those from market giants EMC and IBM through its refrigerator-sized TagmaStore Universal Storage Platform.** Storage virtualization is an approach that enables a large organization to treat all of its data storage assets as logical rather than physical resources. This allows an organization to transform this infrastructure into a utility, which makes it possible to create as many virtual storage systems, and at a cheaper cost than adding new devices. It is also an approach that every player in the storage industry has adopted, which prompted HDS to add a difference-making feature to TagmaStore.

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The result is a new economic framework for information infrastructure, providing large organizations with millions of dollars in potential cost savings. At about the same time the announcement was made, HDS Storage partners Hewlett-Packard and Sun Microsystems unveiled their own versions of the TagmaStore USP system: the HP Storage Works XP 12000 and the Sun.

- **NEC Corp. and Sony Corp. plan to start releasing internal PC drives supporting next-generation DVD standards in the latter half of 2005.** Their plans will likely make the battle over the next-generation DVD standard spill into internal DVD drives for PCs, which are expected to take up a large part of the market for next-generation DVD hardware. NEC supports the HD-DVD standard with Toshiba Corp. and others. Sony backs the Blu-ray Disc standard with a group of companies that includes Matsushita Electric Industrial Co. NEC is working toward starting commercial production of an internal, read-only HD-DVD drive for desktop PCs around next summer. The company plans to eventually release a read-and-write capable product that is thin enough to be installed in a notebook PCs. Developing drives that are thin enough to be installed in PCs is a major challenge for manufacturers. OEM internal DVD drives for PCs are currently supplied to PC makers at 5,000 yen (US\$45) to 6,000 yen (US\$54) apiece. But next-generation internal DVD drives for PCs are likely to cost between 30,000 yen (US\$272) and 50,000 yen (US\$453) per unit initially.

Internet

- **Hewlett-Packard Japan Ltd. (HP Japan) and KDDI Corp. will begin offering in early December a joint Internet-based service that enables photos taken by KDDI's camera-equipped "au" cell phones to be remotely printed out on HP printers, a source said.** To print a photo, a cell phone user must e-mail the image to a server managed by HP Japan. An HP printer compatible with the service downloads the photo from the server and then prints it out. Because no personal computers are involved, even people with poor computer skills can easily get photo printouts. Three of the eight latest printers unveiled by Japan will be compatible with the service. All eight models will be on sale in stages beginning in October, with the top-end products priced around 50,000 yen (US\$453).

Media, Entertainment and Gaming

- **Sony's music unit is abandoning its CDs that use built-in technology that limits copying them.** Such CDs let users copy their music once for free onto a personal computer but use the Internet to charge a fee for subsequent copying of the same disk. However, Sony Music Entertainment had announced it would stop publishing them, mainly because its message against illegally copying CDs for uses such as file sharing over the Internet had widely sunk in. Sony Music had learnt that only a small part of the population illegally copy CDs. The music giant recently started adapting its strategy due to the proliferation of MP3 computer files used to store music in audio players such as Apple's iPod, which are rapidly becoming a global music industry phenomenon. Sony said that its portable audio players, which will soon go on sale in Europe, would be able to use any MP3 files. CD sales have plunged in recent years in Japan and elsewhere, as people increasingly use the Internet to download music.

Investment/Ventures

- **Softbank Corp has sold its stake in eAccess Ltd. and will launch a fiber-optics service this month.** The stock and warrants, which would raise the stake to 16.7%, if executed, were sold for an estimated 20 billion yen (US\$181 million) to a securities firm, which will now seek new investors. Softbank intends to invest the proceeds from the sale in its new fixed-line service, according to an

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official, in a strategy aimed at taking on industry giant Nippon Telegraph and Telephone Corp. The new fiber-optics service will provide the industry's fastest transmission speed of 1 Gbps. In addition, Softbank's new offering will be available at a monthly charge of 4,200 yen (US\$38), excluding an access fee, which is up to 300 yen (US\$2.71) cheaper than NTT units' fees. The company will also challenge NTT in the fixed-line phone business by offering low rates for the new service slated to start in December. The firm also said that it plans to branch into the mobile business.

Software

- **Matsushita Electric Works Information Systems Co. (NAIS-IS) has partnered with webMethods KK to help large corporations shift from legacy mainframes to inexpensive open systems.** webMethods KK is the local arm of the U.S.-based webMethods Inc., a leading provider of enterprise application integration (EAI) services. For smaller companies, NAIS-IS will market software for the construction of enterprise resource planning (ERP) systems. NAIS-IS began its business of open-systems support in 2001. The market for EAI services was worth 45 billion yen (US\$408 million) in 2003, and is expected to grow to be worth 100 billion yen (US\$906 million) in 2006. Given the solid base of demand among companies shifting to open systems, NAIS-IS decided to team with webMethods in order to broaden its range of product offerings.
- **TIS Inc., in cooperation with IBM Japan has launched a corporate systems diagnosis and reconfiguration service that will provide clients with specific cost-cutting measures.** The System Fitness Service will collect data related to a client's system costs, including the price of servers and operational software as well as personnel and maintenance outlays. The information will be analyzed using an IBM program that calculates the impact of server consolidation. TIS will propose changes based on the results and provide reconfiguration services. The information services firm also plans to offer reassessments on a broad range of functions, including systems management, in an effort to generate outsourcing orders. TIS is targeting sales of 2 billion yen (US\$18.1 million).
- **Systems Developer Information Services International-Dentsu Ltd., or ISID, will launch sales of a videoconferencing system that will work in conjunction with groupware.** ISID made it possible to use groupware known as desknet's, which is sold by software developer Neojapan Inc., with a videoconferencing system by IBE Inc. From a system screen of desknet's, users will be able to make reservations for a videoconference just as they would schedule use of a physical conference room. The combination use also facilitates sharing of information among videoconference participants. Cameras and microphones that attach to personal computers are required. Prices for a system for simultaneous use by five people will start at 1.2 million yen (US\$11,000). The desknet's groupware is used by many in the construction industry and is also used by local governments. ISID will market to such existing users as well as those in the retail sector. The firm will aim to sell 125 systems by the end of fiscal 2005.
- **RSA Security Japan Ltd., a subsidiary of U.S. encryption software firm RSA Security Inc., will begin sales of a system to strengthen the security of Windows-based notebook personal computers.** The software is expected to better protect critical company data if the machines are lost or stolen. RSA SecurID for Microsoft Windows replaces conventional passwords with a user ID and a six-digit random number that is generated by as a one-time password every 60 seconds by a SecurID device. Since the notebook is not always linked to the Internet to interact with the corporate server and establish ground rules for this ever-changing password, a set of as many as 100 random numbers are encrypted and sent to the computer for use in subsequent sessions. The package consists of server software and the SecurID software for installation on each PC. RSA Security Japan will charge 971,000

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yen (US\$8,800) for a 25-user license and 9,000 yen (US\$82) per person for the SecurID device for a two-year, 49-user license. The goal is to sign up 3,000 companies for the next three years.

- **Wiseman, which develops and markets computer systems for welfare facilities and medical institutions, will go public on the JASDAQ market.** The company enjoys one of the largest market shares in the category of systems for welfare facilities. While many other systems developers sell their systems via agents, the company maintains its own sales/support systems, enabling to promptly reflect customers' development needs. Wiseman expects 510 million yen (US\$4.6 million) in group pretax profit in the current fiscal year through March 2005. The company plans to funnel the money to be raised from the upcoming public offering into developing new welfare and medical systems. In particular, it will focus on improving medical systems, for which it holds only a small market share. Initial public offering is 800 shares; secondary sale is 800 shares.

Telecommunications

- **Japanese telecom giant Nippon Telegraph and Telephone (NTT) unveiled cut-rate plans for its land-line services to compete with smaller rivals KDDI and Softbank who have been offering cheaper services.** Effective January 2005, NTT will reduce its fixed-line basic monthly charge by up to 150 yen (US\$1.4) or about 8.5 percent for urban residents. NTT East and NTT West, two regional operating arms, said their monthly fees for households in urban areas would be lowered by 50 yen (US\$0.45) to 1,700 yen (US\$15) and by a further 100 yen (US\$0.91) agree to be billed via the Internet. However, even the maximum reduction will still leave NTT's fixed-line fees higher than those offered by KDDI and Softbank.

Korea

Mobile/Wireless

- **The number of Koreans using their mobile phones for bank transactions is nearing two million.** This is just a year after LG Telecom Co. introduced the country's first mobile banking services, according to industry figures. As of August, LG Telecom, the smallest among the country's three mobile-phone carriers, had 1.1 million subscribers to its mobile banking service, BankOn, providing banking transactions to 13 local banks. No. 1 mobile-phone operator, SK Telecom Co., had 420,000 customers for its M-Bank mobile banking service during the same period, while KT Freetel Co. had 380,000 users of its K-Bank services for a total of 1.9 million subscribers. Industry analysts believe the number will exceed two million by the end of the year. The country's largest lender, Kookmin Bank, has more than 510,000 mobile banking subscribers, followed by Woori Bank with 267,000 and Chohung Bank with 77,500. Mobile banking has been among the driving forces of LG Telecom's increased market share during number portability, according to Daewoo Securities. Mobile banking transactions amounted to 2.2 trillion won (US\$1.9 billion) in the second quarter, up 58.1 percent from the first quarter, the Financial Supervisory Service reported. LG Telecom expects the number of its mobile banking customers to reach 1.3 million by the end of the year.
- **SK Telecom Co.'s initiative toward satellite-based mobile broadcasting has suffered another setback, with the country's broadcast regulator blocking the airing of terrestrial televised content on wireless receivers.** The broadcast regulator, Korean Broadcasting Commission left open the possibility of reversing directions in the future, saying it will discuss the satellite retransmission issue again when they grant business licenses for ground-based mobile television projects early next year.

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Satellite-based mobile television, dubbed here as satellite-based digital multimedia broadcasting has been among the more ambitious attempts to keep growth alive in the domestic telecommunications sector where the wireless and wired penetration is among the highest in the world. SK Telecom had expected satellite-based digital multimedia broadcasting to attract 1.5 million subscribers by 2006, break even in 2008 and have 8 million customers by 2010 with US\$1 billion in revenue.

Semiconductors

- **Shares of Hynix Semiconductor Inc. surged to a 52-week high on the Korea Stock Exchange on the back of the sale of its nonmemory chip unit to Citigroup Venture Equity Partners LP.** Hynix's 954.3 billion won (US\$833 million) sale to the venture arm of Citigroup Inc. included 379 billion won (US\$331 million) in assumed debt and paved the way for normalizing the heavily indebted chipmaker. Net cash and debt reduction from the sale of nonmemory chip business is expected to bolster the firm's credit profile. The sale will help cut its debt-to-equity ratio to 79 percent from 116 percent at the end of June. The company intends to focus on its core businesses of producing dynamic random-access memory chips, for use in personal computers, and flash-memory chips that store data in mobile phones, digital cameras and MP3 players. Hynix, the world's second-largest maker of computer memory chips, said it would sell 6.7 million of its own shares and would buy back shares from shareholders who opposed the sale of the nonmemory unit.

China

Internet

- **Eachnet and Taobao.com are squaring off in a battle of the business models, with each laying claim to the potentially lucrative Internet auction market in China.** Eachnet, backed by eBay, the world's biggest online auction house, believes that what works elsewhere in the world will also work on the mainland. It charges a fee for listings and takes a cut on the final sale. Taobao's listings are free, as it believes mainland consumers will not take to the eBay way of doing business. At stake is the rapidly growing number of Chinese online shoppers. According to China Internet Network Information Center, 37.8 percent of the nation's 87 million Internet users – or about 32.8 million – have shopped online. That number is expected to triple next year. Last year, US\$124 million in merchandise was traded over the company's website and the figure is forecast to climb US\$241 million this year. eBay recently integrated Eachnet into its global operations, giving mainland sellers access to bidders worldwide. Eachnet commands 60 to 70 percent of the mainland market, although just 6.6 percent of the Chinese Internet users are registered Eachnet customers. Taobao claims it is too early to charge transaction fees because mainland Internet users are not familiar with Internet auctions. Taobao has been reliant on Alibaba to stay afloat, taking US\$54 million from its parent.
- **Mainland Internet portals are rushing to tap the U.S. market after the successful NASDAQ debut of recruitment portal operator 51job.** Chinese tourist portal eLong has filed a preliminary prospectus with the Securities and Exchange Commission for a NASDAQ listing to raise between US\$50.4 million and US\$59.1 million, with Deutsche Bank handling the deal. It is offering 3.6 million American depository receipts (ADRs) while its existing shareholders will receive 761,921 ADRs at US\$11.50 to US\$13.50 each. China Finance Online, the mainland version of Bloomberg, also hopes to ride on investors' growing interest in China Internet plays by selling 6.2 million ADRs at US\$10 to US\$12 to raise between US\$62 million and US\$74.4 million. 51job enjoyed a strong debut last month

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with a gain of 51.1 percent to US\$21.15 after it fixed the issue price at US\$1 higher than its offer range, or at US\$14, due to hot demand. China Finance posted a net profit of US\$1.5 million on total revenue of US\$2.3 million for the first six months this year.

- **eBay subsidiary PayPal is expected to enter China by yearend.** PayPal has kept a low profile but is busy making preparations. Paypal has posted around ten new job openings in China for project manager and customer service staff. Although eBay acquired Chinese auction site Eachnet in September, there are still problems with logistics, tax, language and payment channels. An insider from traditional banking industry said that PayPal would not seriously affect China's traditional banking and financial institutions. The same source was cautiously optimistic about the future development of PayPal in China.
- **Roadshows begin for the NASDAQ IPO of Chinese online financial data and research provider, China Finance Online.** The roadshows began in Hong Kong for a US\$62 million to US\$74.4 million IPO of the e-commerce operator. The JPMorgan-led deal is being marketed at US\$10 to US\$12 per share and will comprise 6.2 million ADRs, of which 80.6 % will be primary and 19.4% will be secondary. There is also a 15% greenshoe and two co-managers -- Jefferies Broadview and WR Hambrecht. Fund managers say it is being marketed on a P/E range of 17 to 20 times 2005 earnings. Based on a potential market capitalization of US\$260 million, this valuation assumes a 2005 profit forecast of US\$13 million. Like many Chinese e-commerce plays, the company has so far enjoyed an incredibly strong growth trajectory since its website www.jrj.com.cn was launched in April 2001. At the end of its first year's operations, it turned in a net loss of US\$644,000. By the end of 2002, however, it had swung round to a net profit of US\$202,200, which then jumped spectacularly in 2003 to US\$1.19 million. By the first half of 2004, it had already eclipsed the whole of 2003, registering net income of US\$1.46 million. Fund managers say the company is now on target to make about US\$4.8 million by the end of 2004. China Finance Online is primarily being benchmarked against other Chinese e-commerce providers that run subscription business models. In its own niche sector, there are a few listed comparables.

Media, Entertainment and Gaming

- **China plans rating systems for online games, books and movies to protect children from violence and sexual content in the nation's latest effort to tighten controls on various media, reports said.** The system for censoring online games will be introduced by the end of October. Online games would be divided into five categories: games suitable for all; those for junior high school students and older; those for high school students and older; those for 18-year-olds and older; and those for adults. The ratings will be based on various factors such as horror, violence and sexual content. Games considered suitable for all would be known as "green" games, the report said. Most of China's 14 million online gamers are under 25, according to state media reports. The number of players is expected to soar to almost 42 million by 2007. The domestic online games industry earned revenues totaling US\$160 million in 2003, and contributed US\$1.8 billion to other industries such as telecommunications and media.
- **China's online game industry could grow seven-fold to become a billion-dollar business within the next two years, following observation of industry insiders.** The online game market had the potential to post revenue of 9.3 billion yuan (US\$1.1 billion) by 2006, up from the current 1.3 billion yuan (US\$157 million), the report said. China, with 200 million young people, is emerging as the world's most promising market for online games. Despite the rosy forecasts, China has announced strict curbs on the industry.

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- **Shanda Interactive Entertainment Limited, the largest operator of online games in China, announced that it has acquired closely held Qidian (www.cmfu.com), a leading Chinese original entertainment literature portal.** In the all-cash transaction, specific terms were not disclosed. Qidian is a premier forum for independent writers to publish their original literature online, including magic fantasy works, science fiction works and works based upon the story lines on online games. Through Qidian's literature platform, readers can interact and communicate with authors as well as subscribe for access to the published works. The acquisition of Qidian helps to solidify Shanda's leading position in the China online entertainment market, a Shanda official said. Qidian offers a rich resource of original content online that is great strategic fit with the in-house game development strategy of Shanda, according to the official.
- **Videogame giant Electronic Arts Inc. will announced plans to build a videogame studio in China, claiming a stake in what is expected to become the world's largest online games market by 2007.** The studio is a cornerstone of a broader EA plan to expand further in Asia and could be a precursor to an acquisition or joint venture in the region. While EA has quickly grown into the world's largest videogame publisher, the company does not have a strong presence in Asia. EA's single largest Asian market now is Japan, where the company had revenue of US\$71 million in the year ended March 31. There are more than 80 million Internet subscribers this year, some 16% of whom play online games, according to Dallas-based Diffusion group. The research group predicts that by 2007 China will become the largest online gaming market both in revenue and number of gamers. EA estimates China's online games market to US\$250 million this year, with hundreds of thousands of online gamers buying cheap subscriptions or pre-paid cards at convenience stores and from popular Web portals such as Netease.com Inc. To date Taiwanese and Korean publishers such as Webzen Inc. and Ncsoft Corp. have dominated online titles in China, although domestic developers such as Netease and Shanda Interactive Entertainment Ltd. have recently made strides. EA will be the first big American maker to jump, though many in the industry consider it a relatively late move, considering EA has no timeline for when it will begin to produce games for the domestic market.

Mobile/Wireless

- **Shanghai start-up, E28, takes on giant rivals with Linux-based handsets.** The firm, which has its main offices in Shanghai and Hong Kong, claims its e2800 model is the world's first Linux-based handset. In addition to saving on licensing fees, using Linux over Windows from Microsoft allows for quicker product development. Software is becoming increasingly important to handset manufacturers, especially with the advent of new applications such as mobile gaming, video download and other multimedia content. This is forcing phone makers to work more closely with operators to customize offerings.

Semiconductors

- **Semiconductor Manufacturing International Corp (SMIC), the mainland's largest contract chipmaker, is ramping up to produce high-end chips for Texas Instruments.** The deal involves making chips using 90-nanometer technology. SMIC, which also made chips for Samsung Electronics and Infineon, was expected to deliver its first samples of the chips in the first quarter of next year, and large-scale production could begin after that. SMIC has expanded its capacity aggressively over the past years, drawing on both international demand and growing domestic market. The chipmaker now operates plants in Shanghai, Beijing and Tianjin, and plans to build a test and assembly facility in

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Chengdu. Last month, the company said it expected to increase its capacity by half to 185,000 wafers by the end of next year, from a targeted capacity of 125,000 wafers at the end of this year.

Software

- **Kingdee International Software Group is looking to expand its operations across Southeast Asia even if global demand for China-made business-automation software may be virtually nonexistent.** The Hong Kong-listed firm plans a buildup in Singapore, Malaysia, Thailand and Vietnam within the next two years, as commercial relations between enterprises from these countries and the mainland increase and deepen. The first step of this expansion strategy was the launch last month of K/3 version 10.1, the first multilingual, cross-border enterprise resource planning (ERP) system that complies with local statutory and accounting requirements in Hong Kong and the mainland. Kingdee's new k/3 product offers six software suites, including modules for basic and rapid manufacturing functions, human resources, finance and supply-chain management. They come with inbuilt, mainland-approved reporting tools, and support international standards and multilingual user interfaces that include English, and simplified and traditional Chinese. The 10-year old software firm has about 210,000 corporate customers in the mainland and about 200 Hong Kong-based business users, including multinationals such as Olympus, Bank of America, Konica Minolta and Tom Group. Research firm Gartner estimated ERP software vendor license revenues in Asia-Pacific would grow 9 percent annually from last year to 2008, when the market would be worth US\$531.4 million.

Taiwan

Semiconductors

- **Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest made-to-order chipmaker, said its sales in September fell 1 percent from August to NT\$23.2 billion (US\$680 million) reflecting softer demand.** Sales in September were up 22.5 percent from a year earlier but still the company's record-setting run over the previous five months. The company said some softening of customer demand has been seen over the past two months and that if this continues, the company's fourth-quarter revenue would decline slightly from the third quarter. Meanwhile, United Microelectronics Corp, the world's second-largest foundry, saw its sales hit a record NT\$11.9 billion (US\$348.8 million) for a gain of 57.7 percent year-on-year. Sales for the nine months to September rose to US\$89.1 billion from US\$61.1 billion a year ago.

Telecommunications

- **Taiwan's government had made no progress in plans to cut its stake in Chungwa Telecom, the island's largest telephone operator, to less than 50 percent with an NT\$82.5 billion (US\$2.4 billion).** The Ministry of Transportation and Communications, which owns almost 65 percent of the operator, said in May that it aimed to sell about 15 percent of the former monopoly this year. The government should start the sale of its share because investors were interested, a ministry official stated. The shares in the company have gained 16 percent since January, compared with the 1 percent rise in the benchmark Taixex index.

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Hong Kong

Media, Entertainment and Gaming

- **The Hong Kong government has stepped up efforts to develop the emerging digital entertainment industry by going into partnership with Microsoft in an ambitious video games project.** Hong Kong Cyberport Management and the government unveiled the Xbox Games Incubation Program, aimed at recruiting and supporting fresh local talents to create games for Microsoft's Xbox video console platform. The worldwide market for video games and interactive entertainment is forecast to expand from US\$23.2 billion last to US\$33.4 billion in 2008, according to Dublin-based Research and Markets. A number of games are being designed for Sony Corp's PlayStation 2, Xbox and Nintendo's GameCube. Microsoft has also embarked on Xbox games development programs in South Korea and Taiwan. Cyberport said local interest in game software design would accelerate as firms gained in-depth knowledge of the Microsoft system. Microsoft would provide software development tools and help market the finished product.

Mobile/Wireless

- **Hutchison Telecommunications International Limited (HTIL) high-profile initial public offering suffered a setback as the firm was forced to trim the price range after a lukewarm response from the investors.** The Hutchison Whampoa spin-off said the price range had been cut to between HK\$6.01 (US\$0.77) and HK\$7.04 (US\$0.90) a share from the original indicative range of HK\$6.52 (US\$0.80) to HK\$7.55 (US\$0.96). The revised price range represents a 6.8 percent to 7.8 percent reduction from the original offer size and lowers Hutchison's proceeds to between HK\$6.9 billion (US\$891.3 million) and HK\$8.1 billion (US\$1.04 billion). Hutchison, which is selling 26.7 percent stake in HTIL, was hoping to raise HK\$8.7 billion (US\$1.11 billion) when it launched the share. Market watchers were surprised that HTIL's underwriting syndicate, led by Goldman Sachs and ABN Amro, needed to cut the size again despite the improved market sentiment. Since HTIL's offer was launched, the Hang Seng Index has risen 2.9 percent. A source involved in the deal said the offer was based on the original price range but Hutchison was eager for the deal to go through without any glitches.
- **SmarTone Telecommunications Holdings has followed rival CSL in teaming up with a Philippine mobile operator to target the 180,000 Filipinos in Hong Kong.** Hong Kong's No. 3 mobile carrier has partnered Globe Telecom – the second-largest Philippine mobile firm – to offer a service, which allows Filipino customers to buy airtime and send it to friends and relatives in the Philippines. Globe Telecom said it started selling airtime in an attempt to tap the 7.4 million Filipinos working overseas, who sent home US\$7.6 billion in remittances last year. Smart's offer saw an impressive 28,000 Hong Kong-based Filipinos sign up for the service within months.

Telecommunications

- **The Office of the Telecommunications Authority (OFTA) stood firm in the face of new legal threats from PCCW, despite losing a court battle to the dominant fixed-line carrier.** PCCW has given the regulator a deadline to shut down Internet telephony services run by City Telecom unit Hong Kong Broadband Network (HKBN), or face possible legal action. PCCW claims the services violate terms of HKBN's fixed-line license that are designed to promote network investment. OFTA, however, reiterated its view that the license permits voice services over the Internet and would not back down, even though the High Court quashed an earlier decision by OFTA that had forced PCCW to lease its

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network to another company. Subscribers to HKBN's Internet service can connect through PCCW's Netvigator. PCCW describes this a "free ride" for which it says it should be paid. HKBN and OFTA argue no fee is due because the Netvigator customer has already paid for the broadband connection.

- **The telecommunications regulator, Office of the Telecommunications Authority (OFTA), planned to offer a new license for PCCW giving the dominant fixed-line carrier freedom to set its own prices, according to industry sources.** The regular is to propose the new license as an alternative to declaring the operator "non-dominant". This will give PCCW the liberty to set prices in the residential market without prior approval, which the operator requested months ago as rivals chip away at its market share by offering lower tariffs. The long-awaited announcement comes as PCCW considers legal action against the regulator for allowing rival City Telecom to offer voice over Internet protocol (VoIP) services over PCCW's broadband connection.

Singapore/Malaysia/Philippines/Indonesia

Information Technology

- **3COM is continuing to grow its regional functions out of Singapore while working to capture a larger share of the high growth markets of Taiwan, Korea, India and Australia, the company said.** 3COM makes network products like local area network (LAN) switches, routers, network interface cards and Internet access gateways. It also provides voice over Internet (VoIP) solutions. The company, explaining its 2-tiered strategy to expand in Asia-Pacific, said that Singapore remains strategic to the company. In Singapore, while it offers a full range of products to companies of all sizes, its focus is on strategic vertical market like education, government and the finance industries. 3COM had a joint venture with Hong Kong-based Huawei Technologies, which enabled 3COM to get a solid foothold in China. Huawei's contribution to this joint venture was its enterprise networking business assets, including LAN switches, routers, engineering, sales/marketing resources and personnel, and licenses to its related intellectual property.

Internet

- **Singapore Telecom has signed an agreement with Virtela Communications Inc, a global network solutions company, to provide seamless Internet Protocol (IP) network services to its customers who need Internet access while operating outside Singapore.** Through its worldwide network infrastructure, Virtela – headquartered in Denver, Colorado – delivers its suite of wide-area network (WAN) services to more than 190 countries. Singtel will tap into this network to expand worldwide coverage for its IP network services. This is a business Internet access service catering to organizations with offices in different countries that require Internet connectivity and support through a single service provider.

Semiconductors

- **SSMC (Systems on Silicon Manufacturing Company) is ramping up its capacity as it aims to boost manufacturing capacity up to 40,000 wafers a month, up from 33,000 now, by the second half of 2005.** In January this year, SSMC said it will invest US\$250 million to boost capacity to make 33,000 wafers of 200mm width a month in the short term. Since entering the foundry industry, the company has been profitable for several quarters and expects to continue that trend in the future. U.S.-based research house, IC Insights, forecasts SSMC's revenues to cross US\$270 million this year, up 74 percent over 2003. After growing twice as fast as the total IC market in 2003, pure-play foundry sales are

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forecast to increase 52 percent in 2004 to US\$17.7 billion, compared to 31 percent for the entire chip industry, the research firm said.

United States/Canada

Internet

- **U.S. consumers and businesses have lost an estimated US\$500 million to a relatively new Internet scam known as “phishing”, according to a survey released.** The survey found a growing number of incidents of phishing, a scheme that uses e-mails appearing to come from a legitimate company and directing recipients to fake websites where they are asked for personal or financial information. The survey was conducted by the Ponemon Institute and sponsored by the online privacy group TRUSTe and NACHA, an electronic payments association. The survey found 35 percent receive fake e-mails at least once a week. About 2 percent said they believed to have lost money as a result of “phishing”.
- **Following a recent industry trend, Internet giant Yahoo is adding new search engine tools that will enable users to create personal folders and share their favorite links with others.** With the new tools, Yahoo’s search engine users will be able to sort and save their search results into distinct categories. Visitors will also be able to record personal notes about the saved sites. Yahoo’s upgrade is similar to features recently introduced by two other Internet search engines, Ask Jeeves and A9.com, which is owned by online retailing giant Amazon.com. By offering more ways to customize results, the major search engines are hoping visitors will return to their sites frequently and stay longer once they are there. The search engines rely on a steady stream of traffic to increase their advertising revenue, which is the industry’s financial lifeblood.

Mobile/Wireless

- **PalmOne and Microsoft announced a licensing deal that would allow the next generation of palmOne’s Treo smart phones to work directly with Microsoft’s Exchange e-mail system.** The unprecedented relationship was designed to eliminate the need for third-party applications and servers that Treo customers previously used to access Microsoft’s email servers. The deal will allow palmOne to better compete against Research in Motion’s popular Blackberry e-mail devices, which already integrates Microsoft’s Exchange software and offers automatic, instant access to corporate e-mail accounts. The licensing deal is described as one of the first signs of a less conflicted relationship with Microsoft.

Software

- **Microsoft to appeal the US Patent and Trademark Office’s decision rejecting Microsoft’s 1996 patent on technology for saving files on computers using easy-to-remember names.** The patent is part of what Microsoft says is its implementation of a broader system used to store computer files, called File Allocation Table, or FAT. But Microsoft does not claim control over the entire FAT system. Last year, Microsoft began asking companies to buy licenses to use its implementation of the FAT system. The move raised concerns that the company would discriminate against those who develop open-source technology, restricting their ability to compete on the widely used Windows platform.

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Europe

Software

- **Microsoft Corp's Windows, which powers about 95 percent of the world's personal computers, would not be damaged if the company is forced by a European Union anti-trust order to strip its video and music player.** This was the statement made by software maker RealNetworks Inc. to Europe's second-highest court. Lawyers for RealNetworks, which sells a competitor to Microsoft's media player, demonstrated a version of Windows without the multimedia software during the hearing. The unbundled system is not at all a degraded operating system that will negatively affect Microsoft's reputation, RealNetwork asserted. Microsoft countered RealNetwork's demonstrations by showing that some of Web sites will fail to display properly unless the player is included in the operating system.

Internet

- **The international record industry escalated its fight against music piracy, announcing that it would file hundreds of lawsuits across Europe against individuals and groups it accused of illegally sharing music through the Internet.** The International Federation of the Phonographic Industry, representing record companies tired of losing millions of dollars in revenues, said its affiliates are filing 459 lawsuits in Britain, France, Germany, Denmark, Italy and Austria. The lawsuits include both criminal and civil complaints against people alleged to have put hundreds of copyright songs into Internet file-sharing networks and offered them to millions of people worldwide without permission, the London-based group said.

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