

Daniel W. Roberts,  
President

## *Roberts & Ryan Investments Inc.*

Based in San Francisco, we provide "value added" information to our global asset managing clients.

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### About Roberts & Ryan

We thank our readers for their support of our research efforts. Via this newsletter to our clients, we publish the smallest voices from Silicon Valley, California. Our contribution is to refute or confirm what is being publicly asserted by the covered companies. Thanks again.

In order to facilitate our receipt of directed order flow, we show our list of agents as follows:

Global markets:  
Merrill Lynch  
Societe Generale

(Pan European only)  
Cheuvreux

(Asia only)  
HSBC

US Domestic:  
Pershing

(Australia only)  
Deutsche Bank

## Asia

### Sick workers seek help from Apple

When Apple released its annual review of labor conditions at its global suppliers, one startling revelation stood out: 137 workers at one factory here had been seriously injured by a toxic chemical used in making the signature slick glass screens on the iPhone.

Apple, describing it as a "core violation" of worker safety, said that it had ordered the contractor to stop using the chemical and to improve safety conditions at the plant. Apple also said that it would monitor the medical conditions of those workers. But in interviews last weekend, nearly a dozen employees say they were harmed by the chemical acid they had

never heard from anyone at Apple. Instead, they said the contractor- a Taiwanese-owned company called Wintek- had pressed them and many other affected workers to resign and accept cash settlements that would absolve the factory of future liability, charges the company denied.

"We hope Apple will heed to its corporate social responsibility," said Jia Jingchuan, 27. He said exposure at the Wintek plant to the chemical, known as n-hexane, had left him with severe nerve damage and made him so hypersensitive to cold that he now must wear down-insulated clothing even indoors.

A Wintek spokesman denied that the company was pressing workers to resign or sign papers absolving the company of future liability. The company said it was working with medical professionals to assess the health of workers.

Jay Huang, the spokesman, even suggested that Wintek would pay for medical care should the symptoms persist after workers resign.



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Roberts & Ryan Investments Inc., a Service Disabled Veterans Enterprise  
57 Post Street, Suite 614 San Francisco, CA 94104  
(415)956-2000, Toll Free (800)676-6717, Fax (415)296-8873  
Please Visit us @ [www.robertsryan.net](http://www.robertsryan.net)

# China

## China pushes deal for Santa Clara firm



“Huawei Technologies has struggled to gain a foothold in the United States against rivals such as San Jose based Cisco Systems.”

China appealed to Washington for fairness as American officials decide whether to block Chinese telecom giant Huawei’s purchase of a Santa Clara computer company on security grounds. Beijing hopes for a transparent review of Huawei’s purchase of privately held 3Leaf Systems, a Commerce Ministry spokesman said. Huawei says it was told by a U.S. security review panel that it must sell 3Leaf, which it bought in May, or the committee will recommend that President Barack Obama cancel the deal. “We hope the U.S. security examination laws and regulations can treat a Chinese company fairly, regardless of whether it is publicly traded, state-owned or private, and can carry out a transparent, predictable review,” said ministry spokesman Yao Jian.

Companies that receive such a verdict from the Committee on Foreign Investment in the United States often withdraw proposed deals. But Huawei has said it will stick to its plans and recommend that Obama approve the deal anyway. Huawei says it failed to apply for U.S. government approval because it brought 3Leaf’s technology and hired some employees but did not purchase the whole company. The Pentagon took the unusual step of demanding that Huawei retroactively apply for a review of the \$2 million

acquisition. A group of U.S. lawmakers appealed to Treasury Secretary Timothy Geithner and Commerce Secretary Gary Locke in a letter last week to examine the 3Leaf deal closely. The Santa Clara company makes products for “cloud computing,” and the lawmakers said the Huawei deal could transfer sensitive technology to China. In Washington, National Intelligence Director James Clapper was asked at a Senate intelligence hearing about Huawei. He declined to comment specifically on the case, saying it was a matter of litigation within the government. But he said it highlighted the importance of understanding supply chains in a globalized world and of ensuring that U.S. industry was aware of potential security threats “when we depend on foreign concerns for key components in any of our telecommunications network.” Huawei Technologies is one of the biggest makers of network switching gear and reported sales of \$28 billion last year. It has struggled to gain a foothold in the United States against rivals such as San Jose-based Cisco Systems.

Huawei was founded by a former Chinese military officer but says it is owned by its employees and has denied that it has any connection to the People’s Liberation Army.

## Lenovo’s quarterly profit rises 25%

Chinese personal computer maker Lenovo said its quarterly profit rose 25 percent on double-digit sales growth in developing markets. Net profit for the three months ending Dec.31 was \$100 million, or 98 cents a share, compared with \$80 million in the same period of 2009, Lenovo said. Its global sales rose 22 percent to \$5.8 billion. Lenovo said sales in its home China market rose 18 percent over a year earlier to \$2.7 billion, while sales in other developing markets increased to 34 percent to \$1.1 billion. Sales in the United States and Europe rose 22 percent to \$2 billion. “We will invest in building our global brand, driving more product innovation and cre-

ating an even more efficient end-to-end business model,” said CEO Yang Yuanqing in a statement. “We are confident we can continue to outgrow the market.” Lenovo has expanded aggressively outside China since it became a global competitor by acquiring IBM’s PC unit in 2005. Lenovo got into mobile Internet last year with the launch of a smartphone and two Web-linked portable computers. In January, Lenovo and NEC announced they would combine their PC businesses in Japan in a move that gave the Chinese partner wider access to the Japanese market, where it had only a 5 percent share.

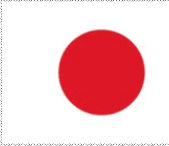
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# Japan

## Nintendo launches 3-D game console without special glasses



“The Nintendo 3DS, which costs 25,000 yen (\$300) in Japan, goes in sale in Europe March 25 for 250 Euros, and arrives in the U.S. on March 27 for \$250.”

Nintendo’s latest game machine, offering glasses free 3-D images, went on sale in Japan ahead of a global rollout, and analysts say it promises to be in the world’s first 3-D mass-market product. “I’m so excited,” said 9-year old Natsumi Miyasaka, clutching her brand new blue 3DS portable that her father bought for her. Lines formed outside Tokyo electronics stores, although they weren’t as long as some previous gadgets launches, as Nintendo offered purchase reservations in advance.

The Nintendo 3DS, which costs 25,000 yen (\$300) in Japan, goes in sale in Europe March 25 for 250 Euros, and arrives in the U.S. on March 27 for \$250. Kyoto-based Nintendo is banking on the 3-D technology as sales momentum gradually fades for earlier hits such as the Wii home console and predecessor DS models. Nintendo expects to sell 4 million of the 3DS machines through the end of March- 1.5 million in Japan and the rest overseas. The

company is expected to have no problems meeting the target. “It is the most comprehensive handheld gaming device from Nintendo to date, with high-quality graphics and online features,” said Hiroshi Kamide, an analyst with J.P. Morgan in Tokyo. “I believe the 3DS will be the first mass-market 3-D device.”

While 3-D technology for TVs has created a buzz, and 3-D camcorders are also gaining some attention, such products have sold in big numbers so far, making for a tiny fraction of overall TV and camcorder sales. So selling 4 million 3DS machines in a month would be significant for a 3-D product.

The 3DS looks much like older DS machines, and has two panels. The top panel shows 3-D imagery, giving players an illusion of virtual reality, such as a puppy licking the screen from inside the machine. The bottom screen is a touch panel. The device also comes with three cameras, and allows the user to take 3-D pho-

tos. It doesn’t require the special glasses needed for 3-D theater movies or 3-D game consoles like rival Sony’s PlayStation 3. They also don’t require 3-D TV sets. Sony is promising a new handheld code-named NGP later this year, but has yet to give pricing and the machine does not offer 3-D gaming.

On the downside are growing fears about the health effects of too much 3-D. Some people have gotten sick by watching 3-D movies or playing 3-D games. Nintendo has issued a warning that the 3DS could harm eyesight of children 6 or younger, recommending they

play in 2-D. It also says users should stop playing if they become tired or start to feel ill.

Although more game software is expected to be ready by the Europe and U.S. launch dates, only eight games were ready for the Japan launch. But the machine comes with several built-in games and other features. Such drawbacks didn’t faze Toyohisa Ishihara, a 43-year-old engineer, who stood in line for two hours to get his 3DS.

“The images seem to pop out. There is a sense of a world spreading beyond,” he said. “I can’t wait to play it.”



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# The Middle East

## Egypt's Web blackout stuns worldwide tech community



“Mobilizing power of the Internet was one of the Egyptian opposition’s most potent weapons.”

Epitaphs for the Mubarak government all note that the mobilizing power of the Internet was one of the Egyptian opposition’s most potent weapons. But quickly lost in the swirl of revolution was the government’s ferocious counterattack, a dark achievement that many had thought impossible in the age of global connectedness. In a span of minutes just after midnight Jan 28, a technologically advanced, densely wired country with more than 20 million people online was essentially severed from the Internet.

The blackout was lifted after just five days, and it did not save President Hosni Mubarak. But it has mesmerized the worldwide technical community and raised concerns that with unrest coursing through the Middle East, other autocratic governments – many of them already known to interfere with and filter specific websites and e-mails – may also possess what is essentially a kill switch for the Internet.

Because the Internet’s legendary robustness and ability to route around blockages are part of its basic design, even the world’s most renowned network and telecommunications engineers have been perplexed that the Mubarak government succeeded in pulling the maneuver off. But now, as Egyptian engineers



begin to assess fragmentary evidence and their own knowledge of the Egyptian Internet’s construction, they are beginning to understand what, in effect, hit them.

Interviews with many of those engineers, as well as an examination of data collected around the world during the blackout, indicate that the government exploited a devastating combination of

vulnerabilities in the national infrastructure. For all the Internet’s vaunted connectivity, the Egyptian government commanded powerful instruments of control: It owns the pipelines that carry information across the country and out into the world. Internet experts say similar arrangements are more

common in authoritarian countries than is generally recognized.

The attack in Egypt relied on a double knockout, the engineers say. As in many authoritarian countries, Egypt’s Internet must connect to the outside world through a tiny number of international portals that are tightly in the grip of the government.

In a lightning strike, technicians first cut off

nearly all international traffic through those portals. In theory, the domestic Internet should have survived that strike.

But the cutoff also revealed how dependent Egypt’s internal networks are on moment-to-moment information from systems that exist only outside the country – including e-mail servers at companies like Google, Microsoft and Yahoo; data centers in the United States; and the Internet directories called domain name servers, which can be physically located anywhere from Australia to Germany.

The government’s attack left Egypt not only cut off from the outside world, but also with its internal systems in a sort of comatose state: Servers, cables and fiber-optic lines were largely up and running, but too confused or crippled to carry information except a dribble of local e-mail traffic and domestic websites whose Internet circuitry somehow remained accessible.

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