

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



Week of 20 - 26 February 2005

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International

Hardware

- **IBM continues to be ahead in server sales, a key market in the computing industry.** Its revenue increased 9.3 percent to US\$16.1 billion from 2003 to 2004, according to research firm Gartner. The said growth outpaces the overall market, which had a growth of 7.2 percent to US\$49.5 billion. Coming second is Hewlett-Packard, posting a 6.7 percent growth to US\$13.4 billion. No. 3 is Sun Microsystems, with a revenue shrinking 4 percent to US\$5.2 billion. Dell had a faster growth, with 20 percent increase in revenue to US\$4.8 billion. Servers are seen as being at the core of customers' businesses, and they are characterized by healthy profit margins than many other products and influence purchases of other computing equipment. IBM has been topping the market for years.

Wireless

- **The GSMA (Global System for Mobile Communication Association) has chosen Motorola as a supplier of six million mobile phones to users in developing countries.** To be shipped in the first six months of the program commencing in the second quarter, the handsets will sell initially for less than US\$40 each. Motorola said it would be coordinating with association members in order to reduce the price further to under US\$30. Countries that are part of the program include India, the Philippines, Indonesia and Turkey. The phones will be a version of Motorola's low-cost C114 model. GSMA is a London-based group representing mobile phone network operators worldwide.

Software

- **Thirty-eight countries from Europe and Asia have made a joint pledge to wage an anti-spam battle.** A December 2004 report by Sophos, an anti-virus software maker, indicates that more than 20 percent of global spam comes from China and Korea. According to a European official, the EU cannot act alone in the fight against spam it being borderless. To address the problem, the report said, it must be taken seriously worldwide, especially in the region where spam originates. The European-Asian initiative is calling the attention of governments and industry to make sure that anti-spam frameworks and the appropriate legislation are adequate and in place in every country. The statement from the group commits the 38 governments to have regular meeting on the problem and take the appropriate action regularly, which should include effective enforcement, awareness raising, industry self-regulation, technical solutions and partnership between governments and the Internet community. Included in this alliance of 25 European and 13 Asian countries are China, South Korea and Japan.

Japan

Internet

- **ADSL wholesaler Acca Networks Co. announced it would go public on the JASDAQ Securities Exchange in March.** As of December 2004, there were about 1.2 million individuals and companies registered as subscribers to Acca's so-called "best effort" service, which does not guarantee a maximum data transmission speed. On record also are some 34,000 firms that made use of its service that guarantees a minimum speed. The company had been in the red because of capital spending since its inception in March 2000. In the near future, the company said it plans to increase earnings growth by helping corporate clients be part of its fiber optic-based online market-to-market trading. Acca, the

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fifth-largest ADSL sellers in terms of subscribers, is expecting to raise 7 billion yen (US\$66.4 million) from the public offering. The fund will be used mainly to repay debt and for capital expenditure. Initial public would be 19,000 shares.

- **Himawari Network, Inc. and Cisco Systems announced they have initiated trials of Wideband Protocol for DOCSISTM, which is a technology that can deliver up to 1Gbps broadband speeds to consumers and businesses over existing hybrid fiber coax (HFC) networks.** The trial will show the ability of the technology to converge video, data traffic onto a single IP-based high-speed service offering. This capability will give cable operators increased service flexibility and lower deployment and operational costs. The Himawari Wideband trial is based on Cisco's Cable Modem Termination System (CMTS) platform that will enable customers to utilize existing investments and thereby improve time-to-market and drive profitability.
- **Fujitsu Limited announced that it has received a multimillion dollar by the 'Sea-Me-We 3' consortium allowing Fujitsu to deploy its next-generation FLASHWAVE S650 submarine transmission equipment.** The work will upgrade the current cable system infrastructure and significantly expand submarine network capacity. The upgrade is expected to allow countries to benefit from a high-capacity bandwidth network that delivers faster Internet and multimedia traffic, increased broadband services, advanced digital services, and more reliable voice services. The consortium is composed of 32 telecommunications service providers.
- **Livedoor, an Internet service provider, has filed a court injunction with the aim of barring Nippon Broadcasting System Inc. from issuing share warrants to Fuji Television Network Inc.** The move of Nippon Broadcasting System Inc. is meant to stop a takeover bid by Livedoor. The lawsuit was filed after Nippon Broadcasting announced it would issue up to 47.2 million new shares to Fuji TV, which would give Fuji TV a controlling interest in the radio broadcaster.

Software

- **Database developer Fusion Partners Co. posted a consolidated pretax loss of about 100 million yen (US\$950,000) in the six months through December.** The company attributed the loss mainly to asset-evaluation costs it had incurred with the acquisition of a weather information firm and an online advertising agency. The expenses for relocating a subsidiary were also seen as the contributing to the loss. Sales went up 110 percent to an estimated 450 million yen (US\$4.2 million), a growth ascribed to the takeover last April of a business related to voice-response systems used for telephones and fax machines. The net loss remains, however, at 200 million yen (US\$1.8 million) because of the pretax loss.

Hardware

- **Sotec Co. announced a consolidated net loss of 1.9 billion yen (US\$18 million) for the April-December period of 2004.** The company, a developer and marketer of personal computers, ascribed the loss to discount sales of inventory and the disposal of defective products. Sotec had also posted a net loss of 197 million yen (US\$1.8 million) in the same period a year earlier. The company said its overall sales dropped 30 percent to 13.3 billion yen (US\$126.2 million). PC sales, the main business of Sotec, declined went down 31 percent to 12.6 billion yen (US\$119.6 million). In the October to December quarter, PC sales registered a 21 percent increase because of online demand for low-priced laptop models. This increase though not enough to offset the firm's poor sales in the first half of the

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fiscal year. The company hopes to be in the black by shortening the time from product planning to sales.

Information Technology

- **IT firms have begun reviewing their accounting practices with a focus on how sales are booked.** The action has been spurred by Media Lynks Corp. being discovered to have fabricated sales figures. In particular, the Japan Institute of Certified Public Accountants (JICPA) will be issuing new accounting guidelines in March and IT firms are expected to make a shift in their orientation from sales to profits. The move is designed to respond to the public mistrust generated by the action by Media Lynks, whose clients were discovered to have sold and resold fictitious products among themselves without the final buyers to pad sales and earn small commissions. The scam is said to be rooted in the practice an IT industry practice in which companies that have high credit standing become nominal buyers for smaller actual buyers.

Korea

Internet

- **Daum Communications Corp., an Internet portal operator, has purchased a 90 percent stake in online auction marketplace operator Onket for 4.2 billion won (US\$4.2 million).** The move has been interpreted as Daum's challenge to eBay efforts in the country. The person now running South Korea's No. 1 online auction service Internet Auction Co. Ltd., which in turn is now owned 99.7 percent by eBay Inc, established Onket. As a result of the acquisition, the service will be rebranded Daum Onket. The company will promote D&Shop, Daum's own online marketplace service, and Daum Onket side by side, the former for conventional shopping and the latter for online auctions. D&Shop has about 9 million users while Onket has more than 3.5 million users. Both sites follow closely behind Internet Auction Co. Ltd., which has more than 10 million users.
- **Daum Communications Corp. announced for the fourth-quarter of last year a net loss of 20.7 billion won (US\$20.4 million).** South Korea's second-largest Internet portal by revenue posted a profit of 10.2 billion won (US\$10 million) a year earlier. Daum explain the loss as caused partly by its purchase of U.S. Internet portal Lycos Inc.

Media, Entertainment and Gaming

- **NCSOFT Corp. announced a 42 percent growth of its net income for the fourth quarter of last year to 13.7 billion won (US\$13.7 million).** The company, South Korea's biggest online game company, said its operating profit rose 54 percent to 21.5 billion won (US\$21.2 million). Sales had a growth of 12 percent to 62.5 billion won (US\$61.7 million). For 2004, the net profit of the company increased nearly 2.5 times to 77.7 billion won (US\$76.7 million), compared with 31.6 billion won (US\$31.2 million) a year ago. NCSOFT said it is targeting 110 billion won (US\$108.6 million) in operating profit on sales of 305 billion won (US\$301.3 million) for the full year of 2005. NCSOFT sells blockbuster online games "Lineage" and its sequel "Lineage II." "Lineage II" has been reported to have received over 110,000 peak concurrent players while Lineage recorded 11,000 peak concurrent players
- **South Korea's game industry is now more than twice the combined size of the movie and music markets, according to the Korea Game Development and Promotion Institute.** Record shows that the game market had a 15.8 percent growth year-on-year to 3.9 trillion won (US\$3.8 billion)

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in 2003, compared with the 1.4 trillion won (US\$1.3 billion) posted by the movie industry and the 368.3 billion won (US\$368.3 million) by the music market. The dramatic growth of the online and mobile-based games are said to be the reason for the advance of the game industry. The situation is a stark contrast to the piracy problems and slowdown affecting the music and the movie industry. According to an official, the prevention to piracy and aggressive Internet-based marketing are the factors contributing to the rise of the game industry. The game industry is predicted to rise between 11 percent and 15 percent this year. The gap between the game industry and the music and movie industries are expected to widen still.

China

Mobile/Wireless

- **China's mobile production capacity is expected to go beyond the 300 million handsets last year to 500 million this year, the government said.** One major reason for this increase is the 40 new producers who have begun manufacturing handsets. The preferential policies set for the industry in 1999 has pushed the fast growth and the resulting strong profits had encouraged investment from both multinational and domestic companies. From 1999 to 2002, China's mobile industry has sold some 300 million phones, which brought in an earning of 350 billion yuan (US\$42.2 billion) in sales. By 2003, mobile phone sales had reached 180 million units. Out of this number, 95 million sets were sold overseas, a number that made up 36 percent of mobile phone sales outside China. Since 1999, too, multinational corporations had invested in about US\$3.6 billion into the sector. State press reports that China's mobile subscribers are expected to grow to 402 million this year, up 65 percent from 2003. Revenue in the telecommunication sector reached 520.5 billion yuan (US\$62.8 billion) last year.
- **Nokia declares China as its major market, and is expected to overtake the United States as its biggest market within three years.** At present, China is Nokia's second-largest market, after the U.S., with its sales in the country growing 44 percent to US\$3.6 billion. The company has announced its plans to expand its manufacturing facilities in the country along with research and development even as it looks to the expected rollout of 3G handsets as a factor that would contribute to further surge. Nokia said it is intent on keeping this market share in China.

Internet

- **Netease.com reported a 55 percent increase in its quarterly sales, with its online gaming services offsetting a decline in advertising and wireless services.** The company reported a profit of US\$15.7 million for the fourth quarter, a 38 percent increase from a year-ago period. For the fourth quarter, Netease had a US\$31.6 million in sales, a figure that matched analysts' forecasts of US\$31 million. The company's online game division generated US\$23.8 million in the fourth quarter, a 22.6 percent increase from the previous quarter. A company official pointed to the Westward Journey Online Version 2.0 and Fantasy Westward Journey Online games as the force behind the good performance of the online gaming division. Netease said that online advertising came in with US\$4.9 million, a 12 percent decrease from the previous quarter, pointing as the reason for the decline advertisers spending a large portion of their marketing budget in the third quarter. The company's wireless division posted net revenues of US\$2.9 million, a 23.5 percent decline from the previous quarter.

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- **Ctrip.com International, Ltd. announced, for its unaudited financial results for the full year ended December 31, 2004, net revenues of 333.8 million yuan (US\$40.3 million), compared to 173.1 million (US\$20.9 million) in 2003.** For the fourth quarter of 2004, Ctrip posted net revenues of 98.5 million yuan (US\$11.9 million), which is a 46 percent increase from the same period in 2003 and a 9 percent increase from the third quarter of 2004. Net income for the fourth quarter of 2004 was 41.6 million yuan (US\$5 million). The decline in the net revenues was ascribed by the company, a leading consolidator of hotel accommodation and airline tickets in China, to the SARS epidemic in 2004.
- **eLong, Inc., a leading online travel service provider in China, said that its English language site, eLong.net, is using Expedia's WWTE private label service to make accessible its international hotels, car rentals, activities and vacation package.** Clients using eLong.net can take advantage of expanded options for booking a full vacation to more than 720 worldwide destinations. The WWTE private-label service gives the travel the capacity to expand the offering on their web sites at a fraction of the time and cost that it would take to build these services internally, all the time maintaining the character and feel of their brand. WWTE is a business unit of Expedia, which is owned by IAC/InterActive Corp. IAC owns approximately 52 percent of the outstanding capital stock of eLong.
- **Beijing-based TOM Online has announced the sale completion of Indiagames.** With the completion, TOM Online Games, which is wholly-owned subsidiary of TOM Online Inc., has acquired approximately 76.2 percent of the issued and paid-up share capital of Indiagames, with it becoming a non-wholly owned subsidiary of TOM Online. Indiagames, a Mumbai-based company is primarily involved in publishing and developing games across platforms like the Internet, PC, broadband, mobile phones, PDAs, handheld gaming devices and consoles.
- **Sina Corp, China's largest Internet portal, announced its adoption of shareholder rights plan to guard the company against a possible purchase by Shanda Interactive Entertainment Ltd, a top online game operator.** The plan, which is known in the industry as a "poison pill" is achieved by flooding the market with shares, making the target company more expensive and difficult to acquire. Shanda earlier said that it had purchased 19.5 percent of Sina's shares, and that it could raise its stake or even buy Sina in the future. Industry analysts said they did not expect a trend of hostile bids to develop in China's Internet sector with many of the huge Internet portals having individual shareholders controlling a majority or a big chunk of company stock. Examples of these companies would be Netease.com Inc., Sohu.com and TOM Online.

Software

- **AsiaInfo Holdings, Inc. announced that its Lenovo AsiaInfo division has entered into a management consulting and enterprise resource planning (ERP) implementation contract with Guangdong Shaogang Iron and Steel Group Ltd.** The agreement will allow Lenovo AsiaInfo's Han Consulting unit to provide Shaogang Group with management consulting and IT planning services. AsiaInfo Holdings, Inc. is a leading provider of high-quality software and customer solutions to some of China's largest enterprises. It has partnerships also with small and medium sized companies in the country. Organized first as a U.S. corporation, AsiaInfo moved operations to China in 1995 and is considered to have played an important role in construction of the national backbones and provincial access networks for all of China's major national telecom carriers, which include China Telecom, China Mobile, China Unicom and China Netcom.

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- **Ninetowns Digital World Trade Holdings Limited announced its financial results for the fourth quarter, with net revenues for the fourth quarter reaching 62.3 million yuan (US\$7.5 million).** The figure represents a 75.5 percent increase over the same period in 2003, and 18.8 percent over the third quarter of 2004. The company posted sales from enterprise software in the fourth quarter of 2004 of 54.2 million yuan (US\$6.6 million), which is a 75.5 percent increase over the same period in 2003, and 7.2 percent over the third quarter of 2004. Net income for the fourth quarter of 2004 is 42.8 million yuan (US\$5.2 million). Ninetowns is a software company that enables enterprises and trade-related government agencies in the country to streamline the import/export process. Through the use of its software, the clients of the company are given the ability to automate import/export processing over the Internet, an alternative considered to be more cost-efficient than the traditional paper-based transaction.

Hardware

- **Chinese OEMs (Original Equipment Manufacturers) have been singled out iSuppli Corp.'s as coming into their own, with total electronics systems production in China rising to US\$209.5 billion in 2004, a 13 percent growth from US\$185.5 billion in 2003.** According to iSuppli, China's top OEMs also outperformed the market, with a 23 percent year-on-year increase in sales. The top 50 OEMs system production accounted for about 76 percent of all Chinese OEM system output in 2003, with this percentage growing to 83 percent in 2004.

Media, Entertainment and Gaming

- **Netease's massive investment in in-house game development has produced two hits in the realm of MMORPGs, in the form of Fantasy Westward Journey and Westward Journey Online Version.** Both are registering concurrent user numbers, which average 159,000. According to NetEase, this number is expected to reach a plateau while the newer Fantasy Westward Journey will not reach its peak until late 2006 or 2007. In a market dominated by U.S. and Korean game companies, the success rate of Netease's games is considered impressive. Chinese titles presently account for only about 10 percent of the domestic market. Netease announced that it plans to release three more MMORPG titles as well as nine or ten casual games later in the year. An imported Korean game is going to be part of this set to be launched. Netease is now the second-largest online gaming company in China, behind Shanda Interactive Entertainment.
- **The9 Limited announced its unaudited results for the full year ended December 31, 2004, net revenues increasing 111.9 percent to 34.7 million yuan (US\$4.2 million).** Its net income for the year was 24.5 million yuan (US\$3 million). Net revenues for the fourth quarter of 2004 were 8.5 million yuan (US\$1 million). The9, a leading online game operator and developer in China, has a 51 percent interest in 9Webzen Limited, a joint venture that has helped the company in its position as a leading firm among China's online game operators.
- **Sohu.Com Inc. announced its launching of the upgraded version of its search engine SoGou.** The new version has an expanded breadth of 500 million Chinese language indexed web pages, higher updating speed and shorter search time. SoGou is capable of searching through 500 million indexed web pages. This database is expected to go up to billion pages in the coming months, the company said. Online search marketing has a long-term growth potential in China. Currently, only a small fraction of the more than 20 million small and medium sized companies in China have adopted search

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engines as a method for marketing. A 94 million strong online population, a fast growing online advertising market and an e-commerce growth are factors that spell great potentials.

Information Technology

- **China's IT market registered a 17 percent growth last year to 708.3 billion yuan (US\$85.5 billion), according to Beijing-based consultancy group CCID.** The growth was said to be propelled by the software sales of 47.9 billion yuan (US\$5.7 billion), which is a 19.9 percent increase from 2003. Sales of IT services, which rose 26 percent to 68.5 billion yuan (US\$8.2 billion), is another factor contributing to the good performance. In 2009, the market is expected to have a 15.8 percent annual growth, translated to 849.9 billion yuan (US\$102.6 billion), with the country's rural markets serving as a driving force for the growth. Experts point China's lack of core technologies as the barrier to the domestic development of its domestic IT industry. Controlling core technologies, therefore, is recognized as an increasing important move if China wants to be the world's largest market for software by 2010.

Semiconductor

- **Advanced Semiconductor Manufacturing Corp. has been given by the China Securities Regulatory Commission the approval to launch an initial public offering of up to 467.6 million shares.** This is prior to a main board listing in Hong Kong. The Shanghai-based chipmaker will sell up to 425.1 million new shares. Its state shareholders will sell up to 42.5 million existing shares.

Taiwan

Mobile/Wireless

- **Taiwan Cellular announced its plan to launch its 3G telecommunications services during the second half of this year, to comply with the requirement of the government.** The company clarified that the timing of the launch will depend greatly on many factors, like the readiness of handsets and content. Most important of these factors would be the readiness of the consumers themselves. Taiwan Cellular plans a capital expenditure of NT\$1 billion (US\$32 million) this year. One half of this amount would go to 3G services, the company said.

Semiconductors

- **Powerchip Semiconductor Corp., Taiwan's largest maker of computer-memory chips plans to invest 2.4 billion yuan (US\$290 million) in China, according to a company official.** Part of the plan is relocating an existing plant in Taiwan to China, which make take two years to achieve pending the approval of the Taiwan government. The company said one of the reasons for starting its first chip plant in China is to bring the product closer to customers. Taiwan Semiconductor Manufacturing Co., the world's largest supplier of made-to-order chips, last year was Taiwan's first chipmaker to start production in China.

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Hong Kong

Media, Entertainment and Gaming

- **WowWee announced that Robosapien, the robot toy, posted a record sale of US\$80 million, with the company expecting another doubling this year.** WowWee sold about 1.6 million Robosapiens at US\$100 each for Christmas. With the sales, a company official called the robot a champion of the toy industry described as losing to video and computer games. The company is looking into making the robot into a line, with the plan of releasing new robotic products every two months or so. The firm's previous one-year sales record was a US\$55 million.

Telecommunications

- **PCCW is branching out into the commercial sector with its Internet protocol television (IPTV) service with the aim of increasing its revenue from corporate broadband business.** The company launched its next-generation information-technology solutions with the name "PCCW CVG" ("convergence"). PCCW is selling its Now Broadband TV at HK\$215 (US\$27.5) per month to non-commercial offices or groups. The deal is for an 18-month contract and brings with it three free news channels. Users who would want a package of more channels have to pay a corresponding increase in the fee. PCCW claims it had 316,000 subscribers last month. Hong Kong Broadband Network said it was not pushing its services into the corporate sector. HKBN claims it has 40,000 IPTV subscribers. Hutchison Global Communications said it has no plans to bring its Galaxy Satellite into the corporate sector. An analyst expressed doubt that companies would be interested in watching television or any other paid entertainment while at the workplace.
- **PCCW said it would head the development of China Network Communications Group (Netcom) huge property portfolio.** The report said this is one of the four planned areas of cooperation between the telecommunications carriers. A China Netcom official said the company wants to concentrate on the telecoms business and see the wisdom in allowing another company, PCCW, to operate the property business alone. Just in Beijing, China Netcom has about 415 properties. China Netcom said that assets from the joint-venture projects could be injected into the mainland company's listed unit.
- **City Telecom (CTI) said capital expenditure would continue to be heavy for the next couple of years before the company goes back into the black.** The Hong Kong-listed fixed line operator said the focus of the company is to widen the coverage of its fixed-line network and to work on the growth of its subscriber's base for its broadband, Internet phone and pay-TV services. The decline in its profit is ascribed mainly to a decline in international direct dialing revenue and increased investment spending. CTI is one of the smaller contenders in Hong Kong's highly competitive telecommunications industry that include the major players, such as PCCW Ltd., i-Cable Communications Ltd. and Hutchison Global Communications Holdings Ltd.

Singapore/Malaysia/Philippines/Indonesia

Internet

- **Singapore is setting up a national "cyber threat" monitoring center as part of its three-year plan against Internet virus attacks and cyber terrorism.** Considered to be the first of its kind in

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Asia, the master plan is said to cost some US\$23.2 million. Expected to be fully operational by the second half of 2006, the center will be tasked with the job of doing a 24-hour tracking of cyber attacks as they take place worldwide. The center will monitor cyber threats that could cripple the country's infrastructure, such as stock exchange and telecommunications networks. Singapore figured in an international survey last year as Asia's top Internet-savvy nation.

Telecommunications

- **Telekom Malaysia Bhd. Announced a 65 percent growth in net profit for the quarter ended December 31, even as the net profit of the firm was below market expectations.** For the fourth quarter, the state-owned company had an increase to MYR 824.2 million (US\$216 million) from MYR 499.8 million (US\$131 million) a year earlier. Analysts, however, showed an average net profit forecast of MYR 1.2 billion (US\$314.6 million) for the quarter. Revenue in 2004 was MYR 13.2 billion (US\$3.4 billion), a 12 percent growth from MYR 11.8 billion (US\$3 million) in 2003. Telekom is upbeat about its prospects for 2005. The company, Malaysia's biggest telecommunications firm, said demands for telecommunications services is expected to increase with Malaysia's economic growth, as seen in its projected 6 percent increase in its gross domestic product.

United States/Canada

Internet

- **Globat.com announced the release of free shared SSL web hosting for customers by way of its best-selling Gigabyte Package.** With the launch were the upgraded Command Console control panel, which included "Promo Pack", a feature-backed website promotion package, and a proprietary website builder tool called "Globuild". According to the company, the goal is to enable customers to join the e-commerce world. SSL secured hosting allows all Globat.com customers to accept information securely over the Internet. Globuild is the only builder that is compatible with Internet Explorer, Mozilla, Opera and Netscape. Globat is the world leader in performance web hosting.

Mobile/Wireless

- **Qualcomm said it expects handsets worth US\$50 for faster 3G mobile phone networks within two years.** The company, a wireless technology company, said prices for W-CDMA handsets are going down very quickly. Qualcomm has already tested chips for their faster model, HSDPA, while competitors are just preparing to get their W-CDMA chips out into the market. The chips for HSDPA were underwent testing with Alcatel and Nortel already.

Media, Entertainment and Gaming

- **AT&T announced the expansion of its networking with DIRECTV Inc., the leading provider of digital multichannel television service in the U.S., by entering into a three-year contract valued at more than US\$69 million.** The agreement will enable DIRECTV to roll out new Internet Protocol (IP-) based technologies, like VoIP, in its call center support networks and enterprise networks. DIRECTV has access to AT&T wide-area networking solutions that makes the gives the company effective communication instrument with customers, employees, and business partners. The agreement ensures that DIRECTV is able to control costs while becoming more flexible in its customer service operations. DIRECTV has more than 13.9 million customers.

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- **Viacom Inc, an acknowledged media giant, has posted a US\$18.4 billion loss for the fourth quarter.** The company points to the hefty charges it had to pay to write down the value of its holdings in radio stations and outdoor advertising. The company about to sell off its smaller radio stations in this time of a highly visible industry slump, took the charges under an accounting rule that requires companies to occasionally assess the value of the goodwill of their businesses, or the amount above their current value that the companies originally paid for them. Viacom is the owner of CBS, MTV and the Paramount movie studio.
- **The Canadian Cable Telecommunications Association (CCTA) announced its sponsorship of three foreign third-language services for distribution by cable companies.** CCTA made a request to the Canadian Radio-Television and Telecommunications Commission (CRTC) that the Radio Television Portugal International (RTPi), New Tang Dynasty Television (NTDTV) and Phoenix North American Chinese Channel be added to the list of eligible satellite services. According to CCTA, providing consumers with third-language services will expand the diversity and choice in television programming as it is available to ethnic communities in Canada. The services give consumers legitimate access to entertainment. RTPi is the international television network of Portugal's public broadcasting company. NTDTV is a global independent, non-profit Chinese language TV network, which has extended its 24-hour broadcasting to cover Europe, Australia and Asia.

Semiconductors

- **Applied Materials, Inc. reported for its first fiscal quarter net sales of US\$1.7 billion, a 19 percent decrease from US\$2.2 billion for the fourth fiscal quarter of 2004, and 14 percent from US\$1.5 billion for the first fiscal quarter of 2004.** Net income for the first fiscal quarter of 2005 was US\$289 million, which is down from the net income of US\$455 million posted for the fourth fiscal quarter of 2004, and up from net income of US\$82 million for the first fiscal quarter of 2004.

Telecommunications

- **Qwest submitted a new bid worth US\$8 billion for MCI in an attempt to grab the long-distance carrier from Verizon.** The retooled cash and stock offer has more cash up front compared to Qwest's first bid. It also offers protection for MCI shareholders in the event that Qwest's stock price drop before the deal is closed. Qwest's first US\$8 billion bid offer for MCI was rejected by MCI's board in favor of Verizon's, with MCI officials pointing to Verizon as a stronger company. Industry analysts describe Qwest's effort as very aggressive. The MCI Board accepted Verizon's bid US\$6.7 billion bid in early February. If MCI were to take Qwest's offer, MCI would have to shell out a US\$200 million breakup fee to Verizon. A spokesperson from MCI said the company will consider the new offer of Qwest.

Europe

Internet

- **Alcatel of Europe and Microsoft of the United States announced their entry into a partnership that would enable the two firms to develop software that will deliver Internet-based services to broadband operators worldwide.** The agreement will link Alcatel's expertise in high-speed networks with Microsoft's software expertise in interface solutions. The partnership is seen as bringing about

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innovations in ADSL or cable-based TV platforms. No specific details or figures were said about the partnership that the two firms have been discussing since 2003.

Mobile/Wireless

- **Telefonica Moviles SA posted a second straight unexpected drop in profit, with a fourth-quarter net income going down 21 percent to US\$366 million from US\$4.6 million a year earlier.** Sales had a 30 percent growth to US\$4.6 billion. Operating costs rose 48 percent to US\$3.3 billion. The company ascribes the loss to heightened competition from companies, which include Vodafone Plc, American Movil SA and Telecom Italia Mobile SpA. Telefonica Moviles is the biggest mobile-phone company in Spain and South America.

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