

IRG WMR



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

Week of 14 August - 20 August 2005

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International

Internet

- **Asia will see online travel bookings double the 2003 figures to US\$16 billion by next year, according to a report by Abacus International.** The report from Asia's leading air ticketing and reservations company said an estimated 29 percent of regional air travel bookings would be done online by the end of this year. Increased Internet usage within the region and the rise of budget carriers are two major factors driving the online travel boom. While the traditional markets of Japan and Australia remain strong markets, Taiwan and Hong Kong residents are gradually becoming the primary online travel clients. Air travel, according to the report will continue to have steady growth, with ticket bookings posting a 3 percent increase year on year in the first half of this year. Abacus also took note of the significant increase in the use of electronic tickets, with an 86 percent increase in the first half of the year. The Philippines and Thailand are the two countries registering the highest growth rates in the use of e-tickets.

Hardware

- **Sales of personal computers in the Asia Pacific, outside Japan, went up 18 percent to 18.8 million units in the first six months of this year from a year earlier, according to Gartner.** The industry report cited record sales of laptops and tablet-sized computers as causing the growth together with aggressive pricing strategies and a wide range of available models. Mobile PCs comprised about 21 percent of overall computer sales in the six months to June, up from 18 percent in last year. Sales of desk-based PCs went up 13.2 percent to 14.9 million units in the first half of this year ago, Garner said. Demand in India where more than 2 million units were sold was one of those factors bringing about the massive growth in the industry.

Japan

Internet

- **Ascribing the growth to its online-shopping and financial-services operations, Rakuten Inc. announced strong earnings results for the April-June quarter.** The company posted a group net profit of 4.7 billion yen (US\$42.5 million) for the three-month period, a figure that represents a turnaround for the company with its loss of 9 billion yen (US\$81.4 million) in the same period a year ago. Rakuten's revenue for the last quarter climbed up 88 percent to 20.3 billion yen (US\$183.7 million) from 10.8 billion yen (US\$97.7 million). Its operating profit posted a 66 percent growth to 6.2 billion yen (US\$56.1 million). Rakuten is Japan's largest online shopping mall operator and the largest market-capitalization stock on the JASDAQ market.
- **Yahoo Japan Corp. disclosed that it would conduct a two-for-one stock split for shareholders in November for shareholders registered as of Sept. 30.** The move of Yahoo Japan is a strategy it adopted to make its shares cheaper and more attractive to investors. This will be the 12th time Yahoo Japan has conducted a stock split since the company went public in 1997.
- **Digital Garage Inc., a solutions provider for online businesses, and Japan Asia Investment Co., announced their plan in September to set up a 1.5 billion yen (US\$13.5 million) to 2 billion yen (US\$18.1 million) fund for investment in Internet-and content-related firms.** Digital Garage said it expects the deal to help it expand its operations and diversify its offerings. Digital Garage will contribute 500-600 million yen (US\$4.5-5.4 million) while Japan Asia Investment will give 200-300

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million yen (US\$1.8-2.7 million). The remainder will be raised through solicitation from electronics firms, broadcasters, system developers and other companies. Investments will be limited to 100 million yen (US\$905,000) per firm in about 20 businesses. The two companies will manage the fund for a period of seven years with a target internal rate of returns of 15-20 percent.

- **The domestic telemedicine market is forecast to grow about tenfold to 53.8 billion yen (US\$487 million) by 2015, from an estimated 5.3 billion yen (US\$48 million) in 2004, according to research firm Seed Planning Inc.** The survey points to the home medical care field as the area of highest growth, with an increase in physicians consulting with patients at home via the Internet. The market for radio diagnosis is expected to grow to 8.2 billion yen (US\$74.2 million) and that for pathologic diagnosis to 4 billion yen (US\$36.2 million), with the growth attributed to improved broadband communications that would allow for a large transmission of large volumes of image data.

Media, Gaming and Entertainment

- **Kodansha Ltd., a major publisher, disclosed its establishment of wholly owned subsidiary in Beijing, a move that is meant to accelerate its copyright business in China.** The new firm is called Kodansha Beijing Culture Ltd. and has an initial capitalization of US\$500,000. The company provides Chinese publishing firms with the rights to its women's magazines, comic books and children's books. Through the subsidiary, the company wants to encourage Japanese firms operating in China to buy ads in the Chinese-language versions of its women's magazines.
- **Shochiku announced that is issuing equity warrants for 16 million new shares to Mizuho Securities Co. with the aim of raising up to 13 billion yen (US\$117.6 million).** With the company denying that the warrant issuance is a defense for possible takeover bids, Shochiku, a movie theater operator, said that the deal is expected to provide the company with a continuous source of financing. The company said that that issuing equity warrants is a better way to finance its projects than issuing new shares or bonds. The company expects Mizuho Securities to exercise the warrants over the next three years.

Mobile/Wireless

- **Navitime Japan Co., which already offers its service in Japan, North America, China and Thailand, said it would begin offering its route-search service to cell phone users in Germany.** This is the first time the company is offering its service in Europe, a move that is part of Navitime's aims to accelerate its overseas expansion tapping the increase in the number of phones with GPRS capabilities. In Germany, the service will be offered to clients of the German wireless carrier E-Plus Mobilfunk GmbH & Co., the company that has licensed NTT DoCoMo Inc. to offer Internet-capable mobile services in Germany.

Software

- **Exact Software, a Dutch firm that makes ERP software, said it is beginning to develop and market products designed for Japan through its local subsidiary.** The first phase of the project will have the subsidiary releasing software that would allow individual sales representatives to use their personal computers to access information such as total revenue, orders and inventory data as well as accounts receivable. The systems developed by Exact Software will use a common database that would provide access to the necessary information that can be used by anyone with the proper browsing credentials.
- **Mitsubishi Sumitomo Silicon Corp. announced its plan to go public this year in what is now considered now as the country's second-biggest initial public offering this year.** The company,

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which changed its name to Sumco this month, is targeting a stock flotation valued at about 100 billion yen (US\$905.1 million). The company said it would use the proceeds for capital investment to boost production of silicon wafers. Sumco is 50-50 a joint venture between Mitsubishi Materials Corp and Sumitomo Metal Industries. It posted parent-only net profit of 11.6 billion yen (US\$105 million) on sales of 165.1 billion yen (US\$1.4 billion) in the year to January. Mitsubishi Securities and Daiwa SMBC are managing Sumco's initial public offering.

Hardware

- **Citizen Watch Co. reported a decline in its group sales and profits for the April-June quarter with the company ascribing the drop to the weak performance of its electronics device operations.** The company said its group net profit for the quarter went down 43 percent to 3.4 billion yen (US\$30.7 million) from 6 billion yen (US\$54.3 million). Its group sales posted a 15 percent decline to 77.4 billion yen (US\$700.5 million) from 91.1 billion yen (US\$824.5 million) that the company attributed to the weakness in demand for electronic parts for use in mobile phone handsets. The operating profit of Citizen Watch also went down 52 percent to 5.2 billion yen (US\$47 million).
- **Optex FA Co., a maker of industrial use-sensors, announced it is going public on the Hercules market for start-ups on the Osaka Securities Exchange.** The company is a business spin-off by Optex Co., a company that is listed on the Tokyo Stock Exchange. Optex Fa produces sensors for factory automation, product inspections and energy savings, in contrast to Optex producing sensors primarily for crime-prevention systems. Optex Fa has developed a sensor that combines a camera and an LCD screen. Optex Fa has a tie-up with Sick AG, a top sensor in Germany, in product development. The partnership has Optex Fa getting 70 percent of its sales in Europe. Recently, the company has been seeing its sales in the U.S. and China increase. In the business year to Dec. 31, Optex Fa forecasts a net profit of 280 million yen (US\$2.5 million), a 28 percent increase over the previous year.
- **Sotec Co., a manufacturer of personal computers, said it is considering liquidating its sales subsidiary in Suzhou, China.** The company ascribed its move to Sotec's inability to compete with the low-priced locally made PCs. Established in 2004 the unit was a 60 percent-owned joint venture with a local firm. The company's planned closure is recognized as part of an effort by Sotec to deal with its cumulative losses in the business year ending March 2007.

Korea

Internet

- **KT Corp. announced that subscribers to its high-speed wireless Internet service reached 500,000 as of August, three and a half years after the commercial introduction of Wi-Fi services.** KT said it is looking to its high-speed wireless Internet service, known as Nespot, to find a new steady source of revenue in a nation where the fixed-line broadband market is saturated. KT had originally forecast about 1 million subscribers to its Nespot service by the end of 2004. KT Corp. is South Korea's biggest fixed-line telephone and broadband Internet provider.

Telecommunications

- **LG Electronics announced it is teaming up with Nortel Networks of Canada for a joint venture late this year.** Named LG-Nortel, the 50-50 joint venture, is aimed at offering telecom and networking solutions to Asian customers. Within the new entity, LG would create its own telecom network unit to

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merge with Nortel Networks Korea. Under the partnership, Nortel will give US\$145 million and other non-monetary consideration to LG in exchange for a 50 percent stake plus one share. LG will control the remaining shares.

China

Internet

- **NetEase Inc. announced that it has stopped its music search service because of concerns about copyright piracy.** The company did not offer music downloads technically, but only helped users to find sites that offered free music downloads. At present, there are more than 7,000 music sites that offer free music downloads without legally seeking permission from music publishers, according to R2G.net, a Beijing-based company that tracks down online pirates. The company is currently negotiating a deal with NetEase that will enable the Internet web portal to offer mobile phone downloads of music from recording companies or their agents. R2G has signed a similar mobile phone download contracts with Sina Corp. and Sohu. Com Inc. R2G is in a process of negotiating with Tom Group Ltd.
- **Sohu.com Inc. announced that its search engine Sogou.com contributed about 12 percent of Sohu's total revenue.** Sogou was launched by Sohu about a year ago. It has gone through a rapid development, with the search engine now currently ranked 31st globally in terms of user traffic, which has increased about 10 percent each quarter. In 2004, Sogou's revenue totaled US\$10 million.

Mobile/Wireless

- **Qiao Xing Universal Telephone, Inc. announced that its subsidiary, CEC Telecom Co., Ltd. (CECT) has entered an agreement with telecommunications operators China Communication Co., Ltd (CCC) and Shenzhen Rongine Technology Ltd (Rongine), for the manufacture and marketing of the first batch of satellite navigation terminal products.** The agreement includes GPS/GSM mobile phone products. Under the agreement, CECT will manufacture at least 500,000 units of GPS/GSM mobile phones for China Communication to launch to the China market. In China, satellite navigation and positioning technology are presently used in the area of public security, exploration, surveying, meteorology, and agricultural and industrial production. The forecast is by 2005, the total revenue for this industry will be 10 billion yuan (US\$1.2 billion).
- **The value of China's mobile phone value-added services was placed at 3.9 billion yuan (US\$481.2 million) in the second quarter of this year; according to market research company Analysys.** The details of the report show that compared with the first quarter, the value of the SMS services went down 11 percent, while the value of WAP services, JAVA and BREW nearly doubled.

Media, Gaming and Entertainment

- **Telecom Communications, Inc. disclosed the partnership that its subsidiary has entered into with SinOpec News Limited, an affiliate of China Petrochemical Corporation.** Under the strategic partnership agreement, Alpha will deliver SinOpec News' oil product news to its base of 1 million, together with other related end-users. Alpha Communications, under the contract, will earn revenues generated from a value adding service monthly fee basis. Telecom Communications, Inc. is a Total Solutions Provider offering Integrated Communications Network Solutions and Internet Content Service in universal voice, video, data web and mobile communications for interactive media applications, technology and content leaders in interactive multimedia communications.

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- **China Techfaith Wireless Communication Technology Limited**, a leading independent mobile handset design house announced a **95.6 percent increase to US\$21.2 million on its revenues in the second quarter of 2005**. The company said its net income was US\$11.3 million in the second quarter of 2005, a 176.4 percent increase year on year. Its income from operations was registered at US\$9.8 million in the second quarter of 2005, a figure that represents a 159 percent year on year.
- **China's advertising revenue had a 15.9 percent growth in the first half of 2005, compared with the 17.2 percent last year, according to CTR, a local research firm.** The report explains the decreased growth rate as caused by slower growth in most industries as well as the negative growth in the mobile phone market and automobile industry. TV advertising posted revenue of 91.3 billion yuan (US\$11.2 billion), indicating a stable increase of 17 percent over the same period last year. Revenue from the radio advertising showed a substantial growth of 49 percent. The outdoor advertising category, which is China's fastest growing media, registered an increase of 81 percent for the first half of the year, compared with 153 percent last year.
- **Beijing Media Corp., the advertising arm of China's only overseas-listed newspaper group, revealed through a profit warning that its first half results would be negatively affected by the government's economic tightening measures.** Due to tightening measures, approval and sale of property projects in China were delayed. This resulted in the decrease of advertising revenue from property. Hong Kong-listed Beijing Media manages advertising for the Beijing Youth Daily, the capital's second-biggest selling newspaper, and three other publications of the Beijing Youth Daily.

Hardware

- **China's network equipment market is forecast to reach 6.2 billion yuan (US\$765 million) in the second quarter of this year, according to market research company Analysys.** The figure represents a 4.1 percent increase quarter on quarter and 8.1 percent year on year. Routers and switches continue to be the major movers in the network equipment market in the second quarter, the study shows. Grabbing a market share of 57.7 percent, LAN switches made up the 31 percent, routers 18.7 percent and ATM switches getting 8 percent.

Telecommunications

- **The growth of China's telecom operations market is predicted as slowing down to about 10 percent in the next two years, according to TX Investment Consulting Co. Ltd.** The report also pictured an industry facing stronger market competition and lower telecom prices, noting that the market growth rate has already seen steady declines in recent years, from 13.9 percent in 2003, 12.6 percent in 2004 and 10.7 percent in the first half of 2005. The study explained the results as the result of a large user base and the lack of new services.

Ventures/Investments

- **Novell Inc., a leading provider of infrastructure software and services to over 50,000 customers in 43 countries, announced its plans to expand investment in the China market.** Part of the plan is to open new regional branches, develop a local technology support center, and intensify its ties with local partners. By the end of 2005, Novell said it would establish a research and development center in Beijing as part of its global R&D infrastructure. The center will focus on Linux desktop research and development, Linux internationalization and localization, and high-performance Linux. Novell plans to develop and deliver solutions for the region by enhancing local ties with local vendors, a strategy that includes the recently announced agreement with the China Standard Software Company. Novell also revealed that it would be opening offices in Guangzhou and Shanghai.

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- **Intel Corp. disclosed that its venture- investing arm, Intel Capital, has made three investments in Chinese companies with the funds coming from its US\$200 million Intel Capital China Technology Fund.** The three investments are the first made from the fund, and were made in Chipsbrand Microelectronics (HK) Co., a fabless semiconductor design company; Onewave Technologies Inc., a broadband entertainment technology solutions provider based in Shanghai; and Verisilicon Holdings Ltd., an application-specific integrated circuit design foundry. The amounts were not disclosed.

Taiwan

Telecommunications

- **Chunghwa Telecom and FarEasTone Telecommunications received permission to implement number portability in advance of the deadline set by the government.** Number portability is expected to help the nation's leading telephone service providers promote the new 3G technology. Chunghwa Telecom and FarEasTone launched the 3G services in the middle of last month and they expect to bring in 100,000 to 50,000 users, respectively, by the end of the year. Another company, Taiwan Mobile Co, lagging behind, has just submitted its application and looks to getting the approval soon. The early approval from the government is not always seen positively, with Vibo Telecom Inc, a latecomer in the domestic telecommunications market, saying it would lead to unfair competition.

Internet

- **Digicor said it has signed on as distributor of Planet's range of products for the networking and communications market.** Under the agreement, Digicor will initially stock its Power over Ethernet, IP camera security and Internet Security appliances. The agreement would also allow Digicor to diversify out of its server and traditional networking status, with the company expecting the partnership with Planet would add 20 percent to its total sales revenue.

Hong Kong

Internet

- **Henderson Investment Ltd. announced its plan to take technology unit Henderson Cyber Ltd. private for HK\$320.9 million (US\$41.2 million) citing for its reason the low liquidity in the latter's shares.** The move is the third attempt by the Henderson group of companies to consolidate its holdings in the past two years. Henderson Cyber's revenues declined 5 percent to HK\$62.7 million (US\$8 million) from HK\$65.7 million (US\$8.4 million). Under the deal, Henderson Investment will be paying HK\$252.5 million (US\$32.4 million), and Hong Kong & China Gas will shell out HK\$68.3 million (US\$8.7 million).
- **Ba8ua.com, a social networking website, announced that it has taken over the management of IceRed.com, with the move accompanied by a plan to re-launch its online message board community.** Ba8ua, a Hong Kong start up molded along social networking sites like Friendster.com, aims to link up the online and offline lives of busy professionals. Under the new management, IceRed would have access to Ba8ua's brand, staff and capital base. While Ba8ua sees big opportunity in the mainland, the IceRed deal would gain Ba8ua entry to Singapore where IceRed operates.

Mobile/Wireless

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- **Sunday Communications announced that its revenue went down by 5.7 percent to HK\$490.9 million (US\$63.1 million) from a restated HK\$521 million (US\$67 million).** Earnings before interest, taxes, depreciation and amortization for Sunday's 2G business posted a 10.5 percent decline to HK\$144 million (US\$18.5 million) from HK\$161 million (US\$20.7 million) a year ago. Its mobile handset sales registered an operating loss of HK\$26.1 million (US\$3.3 million), down from a loss of HK\$29.4 million (US\$3.7 million) previously. The company ascribed the interim net loss of Sunday to lower subscriber revenues and heavy expenses related to its 3G roll out.

Hardware

- **Lenovo Group announced the relaunching of its offering of low-cost consumer desktop and notebook personal computers in Hong Kong next quarter.** The move is expected to boost the lead the company has maintained in the local market, a position that IBM's former PC business has held for seven consecutive years. The new strategy is built around the IBM's "Think" product family, with the company saying the focus would be on bringing the Lenovo-brand portfolio of home multimedia PCs and low-cost notebooks to Hong Kong's consumer market. Data and figures from IDC showed that Lenovo eased out Hewlett-Packard from the top spot in the second-quarter Asia Pacific personal computers sales, and Lenovo did it with the IBM's desktop and notebook products now in its portfolio.

Telecommunications

- **PCCW reported profits surging by over 40 percent, with the figures reflecting the success by PCCW in dealing with the erosion of its market share in its fixed line business and its innovative deployment of IPTV.** The firm posted for the six months gross profits increasing 43 percent to US\$141 million compared to last year. Its net profits reached US\$122 million, a figure that represents a 9 percent increase in revenues to US\$1.5 billion. Industry observers point to PCCW's success in the IPTV area, where it has shown the way for other companies worldwide as they start to deploy IPTV services and competing against satellite and cable pay-TV businesses. The company says its long-term exclusive agreements with HBO, STAR and Mei Ah Entertainment still gives it an edge when it comes to cinema offerings. In a separate report, PCCW announced that it has sold its 6 percent stake in MobileOne of Singapore.

Singapore/Malaysia/Philippines/Indonesia

Media, Gaming and Entertainment

- **India-based GV Films said it would soon offer web streaming of some 6,000 thousand movies aimed at overseas markets, with the company signing an MoU with I-Net Singapore, a leading information technology solutions provider.** Under the agreement, I-Net Singapore will provide the backend mechanism and act as a hub for GV Films to enable it to stream movie content from its portals. GV Films said is plans to acquire more Internet rights for the latest films. I-Net is a wholly owned subsidiary of MediaCorp, Singapore that owns a range of media businesses covering TV, radio, movie productions, newspapers, magazines, electronic media and other broadcasting services.

Telecommunications

- **In a deal that could provide the company with steady dividends, Telekom Malaysia Bhd. and its state-owned parent have agreed to acquire a stake in Singapore's MobileOne Ltd.** Telekom

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Malaysia, Malaysia's biggest telecommunications company, and Khazanah Nasional, the national investment company, disclosed their agreement to buy a 12 percent stake in Singapore's No. 3 mobile phone company even as industry observers take note of the limited growth potential of the Singaporean market. Under a new joint venture, the two companies will buy the stake from Great Eastern Telecommunications, a company that is a venture between Cable & Wireless PLC and PCCW Ltd. of Hong Kong.

United States/Canada

Internet

- **Google revealed its plans for a secondary offering of 14.2 million shares with a value of about US\$4 billion; the proceeds would be used for general corporate purposes, which could include possible acquisitions.** The secondary offering is expected to bring in nearly 2.5 times the US\$1.6 billion raised during the first IPO. As of June 30, the company held US\$2.9 billion in cash. Analysts, however, have questioned whether the growth Google is experiencing could continue in the same pace given the intense competition in the market, with a big portion of it coming from its rivals Yahoo and Microsoft. The offering is being managed by Morgan Stanley and Credit Suisse First Boston, with underwriter Allen & Co.
- **MCI Inc announced the expansion of its Internet DSL access services to Asia and the Middle East, with the service reaching China, Hong Kong, Thailand, the Philippines, Australia, Singapore and Israel.** The firm said it would offer broadband services locally through agreements with regional providers, including China Netcom in China. MCI said that in China, it would provide asymmetrical DSL service to most major metropolitan areas across all provinces. The company said it plans to extend its DSL service in 14 countries and IC access in 65 countries.

Mobile/Wireless

- **Telestone Technologies Corporation posted revenues of US\$4.4 million for the second quarter ended June 30, 2005, which is a 14 percent increase from revenues of US\$3.8 million for the same period a year ago.** The company's net income for the 2005 second quarter was placed at US\$784,000, compared to net income of US\$1.4 million for the corresponding period in 2004. For the first six months of 2005, Telestone registered revenues of US\$7.9 million, a 6 percent increase on revenues of US\$7.5 for the first six months of 2004. The company's net income for the first half of 2005 was US\$1.6 compared to net income of US\$4.7 for the first half of 2004. Telestone Technologies Corporation is a leading provider of wireless technology coverage solutions and equipment to major telecom companies in China.

Media, Gaming and Entertainment

- **TiVo announced a deal it has entered into with the Independent Film Channel so it could transmit several of the cable channel's shows through a broadband connection.** The deal makes TiVo part of the group of companies trying to fuse Internet to TV. Under the deal, the digital recording company will soon allow customers to download TV shows to their set-top boxes via the Internet even before the shows air on regular televisions. The deal, however, is still a trial program as companies try to find the appropriate technology that would convince producers that content will not be pirated and that they can profit from the Internet.

Hardware

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- **Third-quarter earnings of Hewlett-Packards exceeded industry forecasts as revenues from computers, services and printers improved even as a major corporate restructuring was taking place.** HP announced for the three months ended July 31 earnings of US\$73 million (after a one-time tax adjustment), compared with US\$586 million in the same period last year. Excluding the US\$988 million adjustment, HP earned US\$1 billion versus US\$788 million. It posted 10 percent increase in sales to US\$20.8 billion, from US\$18.8 billion in the third quarter of fiscal 2004. In the first nine months of fiscal 2005, HP earned US\$1.9 billion, on sales of US\$63.7 billion. The company registered operating profits growing to US\$163 million in the third quarter this year, from US\$23 million in the previous year.

Europe

Telecommunications

- **Cable & Wireless said it would shell out at least US\$ 1 billion in order to acquire Energis, a firm that sells phone and web services.** The company said it would also invest US\$62.8 million in the business and may pay a contingent payment up to as much as US\$143.5 million more in three years. The acquisition of Energis is expected by the company to hasten the strategic transformation it has been undertaking in the last 15 months. Industry observers say that consolidation in the British phone market is necessary for profit growth.

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