

# IRG WMR



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

***Week of 4 December - 10 December 2005***

*For more information on IRG, please email [communications@irg.biz](mailto:communications@irg.biz) or visit [www.irg.biz](http://www.irg.biz).*

### **Hong Kong (HQ)**

No.1-2A, 17/F, The Centrium,  
60 Wyndham Street, Central,  
Hong Kong

Tel: (852) 2237 6000  
Fax: (852) 2237 6100

### **Singapore**

5 Rhu Cross, #04-16  
Olivia Block, Singapore

437434 Singapore  
Tel: (65) 6325 1191  
Fax: (65) 6348 9583

### **Japan**

JT Building 15Fl, 2-2-1  
Toranomom, Minato-ku,

Tokyo, Japan 105-0001  
Tel: (813) 5114 8395  
Fax: (813) 5114 8396

### **Korea**

37/F, Asem Tower, Samsung-  
dong, 158-1, Kangnam-gu,  
Seoul, Korea

Tel: (822) 6001 3840 ext. 3841  
Fax: (822) 6001 3711

### **Philippines**

2/F, State Condominium Bldg.,  
186 Sacledo St. Legazpi Village,  
Makati, Philippines

Tel: (632) 728 5307  
Fax: (632) 728 5307

ideas | reach | growth

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



Week of 4 December- 10 December 2005

## Table of Contents

<b>Weekly Highlights</b>	<b>3</b>
International	3
Korea	7
China	11
Taiwan	15
Hong Kong	16
Singapore/Malaysia/Philippines/Indonesia	17
United States/Canada	17
Europe	20

This document is provided for information purposes only, and constitutes neither investment advice nor the recommendation to purchase or sell securities of the companies named in this document. IRG Limited, f/k/a iReality Group Limited, and its affiliated companies, make no representation as to the accuracy or completeness of the information contained in this document. For more information on IRG call (852) 2237 6000 or visit [www.irg.biz](http://www.irg.biz).

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



Week of 4 December- 10 December 2005

## Weekly Highlights

### International

#### *Internet*

- **The Internet Corporation for Assigned Names and Numbers (ICANN), the organization that oversees the Internet, has tentatively approved an ".asia" web domain aimed at unifying the Asia-Pacific community.** The group has, however, delayed the release of a decision that would allow a domain referred to as the ".xxx" zone for pornography sites. The new ".asia" domain would supplement suffixes available for individual countries, such as ".cn" for China and ".jp" for Japan. ICANN earlier approved ".eu" for the European Union. Registrations for English-language names in ".asia" could begin six months after ICANN grants final approval, a period that would be preceded with ICANN and the DotAsia Organization threshing out contract details. The DotAsia group, which consists of domain name operators in Asian countries, also plans to explore permitting site addresses in Asian languages. Separately, ICANN delegates discussed methods for allowing new Web addresses to be created in Chinese, Arabic, Cyrillic and other alphabets instead of the Latin script used in English. The idea of an "xxx" domain has been floated by ICM Registry of Jupiter, Florida, which argues that such a domain would help the US\$12 billion online porn industry clean up. Those using the domain, which ICM would administer, would have to agree not to deploy spam and so-called malicious software programs. No action on the dispute over the relationship between ICANN and VeriSign - which runs the main database for the ".com" and ".net" slices of the Internet was decided.
- **Zuji, an online travel agent, reported a 130 percent growth in its sales on last year, driven by suppliers and low-cost carriers coming on to the online market.** Zuji is a joint venture of 15 airlines in Asia-Pacific and online travel player Travelocity. Zuji's revenue structure varies across its six markets. In Hong Kong, it is a mix of service fee mark-up and commission from hotels. In Singapore it is primarily service fee and net market margin business. South Korea is a mix of both. The firm said from early next year, Zuji Hong Kong would assist travelers by offering packages that would enable them to pick their airfare and hotel together.
- **The worldwide broadband video demonstrated massive growth in 2005, according to ABI Research, growth that is seen as continuing rapidly through the end of the decade to over US\$16 billion.** Both pay and ad-supported broadband video markets saw growth in excess of 100 percent year over year in 2005, driven by consumers' continuing increase in broadband video usage and by content owners' demand for alternative outlets as existing channels (cable, broadcast and DVD) mature. Advertisers are also pushing to increase their expenditure in this market because sought-after demographic groups such as young adults are spending more time online, instead of watching TV. The value of online distribution is seen in it providing access to the "digital home". Companies such as Microsoft, Sony and Apple are playing the role of "gatekeepers" for consumers with home technology platforms, giving them leverage with content owners looking to reach consumers with broadband video content. Analysts say the one that will dominate the broadband video market will be those who can offer not just online distribution of content, but can also push the reach of this content to the consumer via the preferred way of the consumer.

#### *Software*

- **When the use of illegally copied software is curbed, global economic benefits would result, benefits that would even spread to countries with high piracy rates, according to an industry**

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



Week of 4 December- 10 December 2005

**study made by the Business Software Alliance.** The study covering 70 countries released by the Business Software Alliance found that cutting the global rate of software piracy – placed at 35 percent – by 10 percent would generate 2.4 million jobs, US\$400 billion in economic activity and US\$67 billion in tax revenues globally. The study concluded that countries with high rates of piracy would capture the largest share of economic gains. One result, for example, would see China, having 2.6 million new jobs in information technology. Russia would see the tripling of its IT-sector jobs by achieving the 10-point piracy reduction. International Data Corp, the research firm that conducted the study, said benefits of reducing piracy are shared globally even if money flowed to countries like the U.S., where the software was produced. The report likewise made the conclusion that the U.S. would reap an economic benefit of US\$125 billion up to 2009 if the global piracy rate goes down by 10 percent. A ten-point reduction in software piracy could boost by an additional 45 percent by 2009 the growth of the global IT sector currently projected to have a 33 percent growth by 2009. According to the report, Vietnam had the highest piracy rate at 92 percent, followed by Ukraine (91 percent); China (90 percent); Indonesia and Russia (87 percent); Kazakhstan (95 per cent); and Serbia-Montenegro (81 per cent). Among regions, Latin America had the highest rate (66 percent), ahead of Middle East and Africa (58 percent) and Asia-Pacific (53 percent). North The European Union (35 per cent). North America had the lowest rate (22 percent).

## *Mobile/Wireless*

- **Deloitte Touche Tohmatsu sees mobile value-added services as the next growth driver in the technology, media and telecommunications (TMT) sectors.** The massive increase in broadband usage, according to the accounting firm, had also been one of the main growth engines in the industry. In its Technology Fast 500 Asia Pacific ranking, Deloitte points to Taiwan-based memory-card producer Power Digital Card, with revenue rising nearly 320 times, as the company with the strongest growth in revenue in the past three years. No. 2 in the list was Kong Zhong Corp, Mainland China's wireless data service provider that recorded nearly 240 times growth in revenue. Of the top 100 entries, mainland-based wireless data service providers such as A8 Music Group and Linktone secured more than nine times increase in revenue over the period, with portals such as NetEase and Tom Online increasing their revenues just three times.

## **Japan**

### *Internet*

- **Two Korean companies, NHN Japan and Nexon Japan are growing rapidly in the Japanese online game market.** NHN Japan is ranked number one among the Japanese game site, the only country producing profit. NHN Japan was produced in October 2003 by merging Hangame Japan and Naver Japan. Last year NHN Japan succeeded in breaking even point and it is reducing its marketing cost by making the Hangame's new item non-free system. According to NHN and Nexon, NHN Japan posted 3.7 billion yen (US\$30.6 million) in sale, in this year's 3<sup>rd</sup> quarter; Nexon Japan is estimating its sale to be about 4 -5 billion yen (US\$33.1-41.4 million) this year, compared to its sale of about 1.1 billion yen (US\$9.1 million) in 2004.
- **Gamepot Inc. announced its plans to go public on the Ambitious stock market in Sapporo.** The firm is a subsidiary of Aeria Inc. and operates "PangYa," a South Korean online video game, and earns more than half the parent company's total consolidated sales. After acquiring exclusive rights to distribute the game in Japan, Gamepot started offering it for free in August 2004. Three months later,

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



Week of 4 December- 10 December 2005

in November, it started to charge a fee for game-related items such as characters, costumes and golf clubs. The company has attracted 1 million players in the less than 18 months it has operated the game in Japan. Unlike other online game operators, who charge subscribers, Gamepot obtains revenue from "PangYa" only through the sale of related items. The firm's strength lies in its ability to "add some spice" to the game to evoke interest among players to buy the items. The company expects to post sales of 1.1 billion yen (US\$9.1 million) in the year through December 2005, about 80 percent of which is related to the South Korean game. The remaining 20 percent is expected to come from games distributed to cellular phones. The subsidiary said it aims to use the 176 million yen (US\$1.4 million) in proceeds from the initial public offering to acquire the rights to distribute more online games, including some from overseas.

- **Startia Inc. said it is going public on the Tokyo Stock Exchange's Mothers market for start-ups.** The company derives 70 percent of its total sales from selling IP (Internet protocol) phones and other network equipment, with 20 percent coming from brokering Internet circuit connections for corporate customers, including KDDI Corp. The remaining 10 percent comes from server rentals and software leasing via an ASP (application service provider). The company expects 250 million yen (US\$2 million) in pretax profit for the fiscal year ending March 2006, a 43 percent increase from a year earlier, on sales totaling 2.1 billion yen (US\$17.4 million), up 30 percent. Part of its plans is to open an office in Nagoya in fiscal 2006, in addition to its offices in Tokyo and Osaka to meet the needs of its increasing number of clients

## *Mobile/Wireless*

- **Matsushita Electric Industrial Co. announced its decision to close its mobile phone handset manufacturing plant in the Philippines as of March 2006.** The move is part of its drive to downsize its unprofitable overseas phone operations. The Osaka-based maker of "Panasonic"-brand electronics goods said it would halt production at Panasonic Mobile Communications Corp. of the Philippines and liquidate the unit. The decision to overhaul Matsushita's overseas production bases is in line with its strategy to shift to more advance 3G mobile phone handsets. The unit in the Philippines has been manufacturing mobile phone handsets since 1999 and has turned out a total of 14 million handsets. Hurt by weak sales in Europe, China and other regions, the company said it will discontinue 2.5G mobile phone lines at its plant in Panasonic Mobile & Automotive Systems at Czech Republic and its R&D operations at Panasonic Mobile Communications Development Corp. of U.S.A. Matsushita's phone business posted an operating loss of 5.3 billion yen (US\$44 million) for the fiscal first-half ended September, on a 15 percent drop in sales, due to its lack of strong phone models amid cutthroat price competition. During the same period, the company's overall group operating profit went up by 9.4 percent on year to 171 billion yen (US\$1.4 billion).
- **Sony Communication Network Corp., provider of the So-net Internet connection service, plans to go public on the Tokyo Stock Exchange's Mothers market.** The company is Japan's fifth-largest Internet service provider, with some 2.81 million people subscribed to So-net's Net connection or other services, as of Sept. 30. SCN also operates subsidiaries through which it sells airline tickets, package tours and medical information. The company holds a 61 percent stake in online medical/pharmaceutical information provider So-net M3 Inc., which went public in Sept. 2004. It also has a 20 percent stake in DeNA Co., which operates the Bidders Net auction site. Group pretax profit at SCN is projected at 700 million yen (US\$5.8 million) for fiscal 2005 through March, a decline of 72 percent on revenues of 43.5 billion yen (US\$360.5 million), up 11 percent. Net profit is expected to climb 150 percent to 10.2 billion yen (US\$84.5 million), which is ascribed to the sale of some DeNA shares. The company said it plans to use about 6.2 billion yen (US\$51.3 million) in proceeds from the

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



Week of 4 December- 10 December 2005

IPO to increase the number of subscribers to its fiber-optic broadband service and boost investments in its portal service systems.

## *Media, Entertainment and Gaming*

- **Japan Broadcasting Corp., or NHK, revealed that it is considering providing television-programming content to online video distribution services around this coming spring.** The public broadcaster plans to supply TV content through program production unit NHK Enterprises. The company is experiencing a shrinking number of subscription fee payers and diversifying revenue sources is a pressing issue for NHK. Observers say, however, that commercial TV broadcasters will likely be up in arms over having NHK content produced using subscription fees from the public reused in private firms' web casting services. NHK has already started supplying some content to the Softbank Corp. group's TV program online distribution service on a trial basis. In the near future, it plans to also start providing content to NTT Resonant Inc., Nippon Telegraph and Telephone Corp.'s web portal operation unit. Some other firms are also believed to have expressed interest in getting their hands on NHK content. Everywhere, telecom firms have already increased their efforts to improve their position and take advantage of the convergence.

## *Hardware*

- **Sanyo was reported to be talking with Goldman Sachs regarding the sale of its 52 percent stake in its key financial arm.** The talk also included Sanyo's considering a new venture with China's biggest home appliance maker Haier. The credit is seen as key to the success of Sanyo's restructuring efforts. Sanyo move to think about setting up a new joint venture with Haier Group is seen as a way to transfer production at its money-losing home appliances division. Sanyo would not confirm the report. Sanyo suffered a net loss of 142.5 billion yen (US\$1.1 billion) in the six months to September from a profit of 3.4 billion yen (US\$28.1 million) in the same period the previous year. Sanyo said it hoped to issue new shares worth 200 billion yen (US\$1.6 billion) to 300 billion yen (US\$2.4 billion) to its main lenders such as Sumitomo Mitsui Banking as well as Daiwa Securities SMBC and Goldman Sachs to ease strains on its balance sheet.
- **Hitachi Ltd. revealed its plans of boosting the number of thin-client terminals used in-house from 10,000 units now to 70,000 by the end of fiscal 2007.** The company's information and telecommunications system group said it aims to reduce personal computer management costs and boost office space efficiency by adding thin clients and introducing the "free-address office" system. Currently, Hitachi uses 10,000 thin clients, mostly among the 20,000 or so workers at its information and telecommunications system group. The company plans to add 8,000 thin clients in fiscal 2006. In another report, Hitachi announced its plans to move 1,500 workers to the free address system by the end of this year, and then introduce it to the entire information and telecom group in fiscal 2006.
- **Sony Corp. announced that it will release in Taiwan as early as January a device that enables people to deliver TV programs to notebook computers, handheld video game systems and other mobile terminals from home.** Marketing the product in Taiwan, following its introduction in Japan and the U.S., is aimed at tapping Asian demand for TV entertainment on the go. The consumer electronics giant intends to sell the device in Europe and China possibly next year. The company will sell the "base station," or a stationary device designed to be placed in the home, in Taiwan for around 30,000 yen (US\$248). People using the product can enjoy location-free TV anywhere that offers an Internet access environment, such as wireless local area networking.



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



Week of 4 December- 10 December 2005

## *Telecommunications*

- **KDDI Corp. announced its plans to take a controlling stake in Japan's second-largest cable television company with Tokyo Electric Power Co., known as Tepco.** The move is part an effort to strengthen their fiber-optic communications businesses. Fujitsu Ltd., Secom Co., Tepco and Marubeni Corp. each hold stakes of 23-28 percent in the holding company that oversees Japan Cablenet Ltd. (JCN). KDDI has initiated negotiation with the firms to buy from them more than 27 percent of the holding company's outstanding shares, a move that will cause Tepco's 23 percent interest and its stake in the company together to exceed 50 percent. With an expected investment of more than 10 billion yen (US\$82.8 million), KDDI is expected to replace Fujitsu as the top shareholder of JCN's holding company. JCN owns 13 cable firms that serve some 500,000 subscribers in Tokyo, as well as Chiba, Kanagawa and other prefectures. KDDI and Tepco have already agreed to integrate their fiber-optic communications businesses in the future. They will also likely replace JCN's coaxial cable network with fiber optics.

## **Korea**

### *Internet*

- **A series of mobile vector graphic-based service better known as flash, which hit the wireless Internet application market early this year, is emerging as a new hot service.** SK Telecom has opened mobile game service 'Flash Arcade', combining flash with a wireless Internet browser for the first time. The company plans to introduce flash to mini home page service 'Cyworld' and other major wireless Internet information service including shopping, LBS, fortune-telling, traffic and weather. KTF also launched a variety of flash game service including block puzzle 'HammerQ DX' and shooting game 'Dynamic Gunshot'. Samsung Electronics unveiled a flash-based UI service over its Anycall Land web site. Homegrown tech firms Neo Mtel and Digital Aria are now competing with multinational vendor Macromedia in the mobile vector solution market. Digital Aria is having deals with SK Telecom and Samsung Electronics, and Neo Mtel in SK Telecom and KTF. Macromedia, a latecomer in competition, is working on deals with Samsung Electronics and LG Electronics in the user interface segment. It also plans to branch out into the service market with flash wireless Internet service 'iChannel' it introduced with NTT DoCoMo of Japan in September this year.

### *Mobile/Wireless*

- **TU Media, Korea's satellite DMB service provider, said that it would have to secure at least 1 million subscribers to create profits from advertisements.** At the moment, most of its revenues are coming from subscription fees. Currently, satellite DMB service is available in 13 mobile handset models, one PDA, four models of automobile devices and one S-DMB dedicated device. Subscribers to TU Media's satellite DMB service reached 100,000 on 22 July and 200,000 on 30 November 2005. TU sees that the number will exceed 1.4 million in next year and 6.6 million by 2010.
- **Samsung Electronics announced its plans to increase overseas handset production from 30 million units this year to 42 million units next year.** Total handset shipment is expected to grow from around 100 million units to 115 million units. Samsung plans to expand exports of Wibro and DMB phones, and will strengthen its premium brand strategy. An official at Samsung said that global handset market growth for the next 5 years will slow to the 5 percent range. Samsung Electronics will strengthen its overseas production facilities in new markets such as India and China. Overseas handset production will increase from 30 percent of total production to 36 percent. Samsung said it plans to

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



Week of 4 December- 10 December 2005

more than double WCDMA handset shipment to around 10 million units and looks to 10 percent market share in the global 3G market. By technology, GSM, CDMA and TDMA will account for 79 percent, 18 percent and 3 percent, respectively, with Wibro and HSDPA handsets at the forefront in entering the 3G markets in Europe and US. In the domestic market, Samsung plans to strengthen its partnership with KT for the commercialization of Wibro. It will continue its premium brand strategy by introducing high-end phones with music, game and multimedia functionality. For 2006, global handset market is expected to reach 820 million to 900 million units next year, a 7 percent increase year-on-year.

- **The mobile commerce (m-commerce) market is expected to grow at a faster rate next year, driven by next-generation convergence service such as digital multimedia broadcasting (DMB) and 3G WCDMA.** SK Telecom estimates that sales in the m-commerce area will increase by 74 percent to 55.9 billion won (US\$ 56 million) versus 32.2 billion won (US\$31.1 million) last year on strong sales of tickets, records and clothing. Revenue from m-commerce shopping, which stood at 1.6 billion won (US\$1.5 million) last year, already topped 12.1 billion won (US\$11.7 million) in October this year, beating the earlier forecast of 7.8 billion won (US\$7.5 million). The company now expects m-commerce shopping to be worth around 20.5 billion won for a full year. Recognizing business opportunities, the wireless operator is rushing to roll out new service in link with WCDMA, DMB, WiBro and TV home shopping. KTF also reshuffled its shopping service in June this year after three years of operations, and has invested in the m-commerce business. The company is devoting more resources to mobile phone shopping service instead of depending on partnership with Internet shopping mall Interpark. It has teamed up with Bandy&Louis, OK Flower and Framer to sell books, flowers and medical care products over mobile phones, and is also offering mileage and discount benefits to users.
- **Pantech & Curitel said they will be supply its handsets to Nokia on an ODM basis to be distributed in the U.S. via Verizon Communications, the largest wireless communication carrier in North America.** Taking Verizon Communications' annual capability of distribution into account, industry observers forecast that Pantech & Curitel will be able to supply around 200,000 units of handsets a month. Pantech & Curitel will provide Nokia with slide-type CDMA EVDO phones installed with a 1.3-mega pixel digital camera and stereo speaker as well as Verizon's user interface and menu. In the first half of this year, Nokia agreed with Sky Teletech to team up for supply of CDMA phones, and Pantech & Curitel merged Sky Teletech thereafter. Pantech & Curitel intends to increase volume of ODM-based handset supply to Nokia next year.

## *Media, Entertainment and Gaming*

- **The Internet comic book market, worth about 16.9 billion won (US\$16.3 million) in 2002, more than doubled to 35 billion won (US\$33.8 million) in 2004, according to Korea Culture and Content Agency.** Daum, the No.1 Internet portal site in Korea, provides a service that transforms over 50,000 comic books into digital picture files. With the popularity of Internet comic books, the perception of cartoonists regarding the Internet comic book market has also changed. They first publish their comic books on the Internet rather than through comic book magazines or independent volumes, and favor the Internet for publishing their cartoons because of the stable income to be found there. The income generated through Internet book services is shared by the portal site. However, not all cartoonists welcome the Internet comic book service, due to the concerns of online piracy of comic books. The Animation Copyright Protection Association shuts down 2,000-3,000 illegal animation sites every month, but as many illegal sites are created every month. The comic book market is estimated to be worth more than 45 billion won (US\$43.5 million) this year. The comic book industry looks to the



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



Week of 4 December- 10 December 2005

Internet cartoon as a suitable method for developing new content. Paran, an Internet portal site, also announced that it would start an Internet serial cartoon publishing service. It will publish cartoons that became popular online in collaboration with Minumsa, an offline publisher.

- **Reflecting an economic slump gripping the country, big corporations reduced their television advertisements significantly this year, a move that reflects the slump gripping the country's economy, according to the Korea Broadcasting Advertising Corp. (KOBAC).** Samsung Electronics, the perennial No. 1 ad sponsor, spent 116 billion won (US\$112.2 million) on television ads during the January-November period this year, a figure representing a 5.1 percent decline from the same period last year. KOBACO is responsible for selling airtime for ads on the behalf of three terrestrial broadcasters, namely KBS, MBC and SBS. SK Telecom came in second with a total of 57.5 billion won (US\$55.6 million) for the first 11 months this year. SKT's TV ad expenditures went down 26.9 percent from last year. LG Electronics, which spent 54.4 billion won (US\$52.6 million), was third. KTF was fourth at 45.7 billion won (US\$44.2 million) and KT fifth at 37.9 billion won (US\$36.6 million). Both KTF and KT also showed a significant drop in their TV ad expenditure compared with last year. LG Telecom, which ranked seventh last year, was pushed out of the top 10. According to industry officials, SBS, the youngest among the three main television networks, surpassed MBC in terms of monthly ad sales in November. Last month, MBC suffered from cancellations of advertisement by sponsors for its two main news programs in connection with a controversy over stem cell research news.

## *Hardware*

- **Korea's national brand value is estimated at US\$594.7 billion this year, ranking 13th among 37 nations surveyed, according to a survey by the Korea Institute for Industrial Economics and Trade (KIET).** The survey was based on countries' goods and services exports for the last three years, tourism profits, national competitiveness index and familiarity. It polled 1,472 people in 65 countries. The U.S. took the lead at US\$4.7 trillion, followed by Germany with US\$2.8 trillion, Britain with US\$1.7 trillion and France with US\$1.6 trillion. Japan fell two notches from last year to fifth place with US\$1.6 trillion, while China inched up to eighth place with US\$9 billion. Korea saw its rank fall for the third year running from ninth in 2002. In terms of price premium, which is brought about by place of origin alone, Korea placed no higher than 19th. British products enjoyed the highest price premium, followed by Swiss, Japanese, French and Swedish goods. Among the top 10 Korean corporations, Samsung Electronics maintained the lead for a sixth year with a brand value of 31.2 trillion won (US\$30.2 billion), a 10 trillion won (US\$9.6 billion) increase from last year. SK Telecom came in second with 7.7 trillion won (US\$7.4 billion)

## *Telecommunications*

- **Demand for fiber-to-the-home (FTTH) networking equipment is picking up as telecoms carriers hasten their launch of fiber optic Internet service.** KT plans to launch commercial service next year, and Powercomm and Hanaro Telecom are also testing giga Ethernet passive optical network (GE-PON) and active optical network (AON) gears, respectively. The three fixed-line communication carriers are expected to spend some 400 billion won (US\$400 million) for building and expanding FTTH networks next year. The FTTH equipment market is estimated to be worth around 6 trillion won (US\$5.8 billion) by 2010. Demand is expected to increase sharply, driven by adoption of GE-PON gears among local autonomous governments, public organizations and small and medium enterprises. KT plans to expand its FTTH coverage by 10 times to some 200,000 households. Powercomm and Hanaro Telecom are also expected to invest more than 200 billion won (US\$193.6 million) in FTTH

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



Week of 4 December- 10 December 2005

facilities. Local autonomous governments continue launching projects to install fiber optic networks. Among leading PON and AON FTTH gear makers are Dasan Networks, Valox Systems, Corecess, Hyundai Networks System, Utis.com and Comtech System. LS Cable and Daehan Cable also aim to boost sales and profits by increasing presence in the home and overseas markets.

- **According to industry sources, SK Telecom formed an agreement with India's number one CDMA operator, Reliance Infocom, and will start providing CDMA roaming service in mid-December.** Currently, SK Telecom and Reliance are running field tests in India. SK Telecom provides WCDMA roaming service in Japan, Hong Kong, Singapore, Italy and France and expects to expand into Germany, Spain and the Netherlands by year-end. SK Telecom provides CDMA roaming in 17 regions, including US and China. In another report, SK Communications, an Internet surfing service, e-commerce and online information provider, reported an investment of 143 billion won (US\$138.4 million) in Itus Group, a provider of an online image teaching service.
- **Intense competition among terrestrial broadcasting service firms and telecoms carriers is happening in the telematics service market.** Terrestrial broadcasting firms such as KBS and MBC are working on free real-time traffic information service models for drivers. KBS plans to kick off a pilot telematics service to provide a wide range of traffic information data, including speed limits, traffic accidents and points of information, to drivers over terrestrial DMB networks. MBC plans to reinforce the 'MBC iDio' real-time FM data radio traffic information service, which not only provides data and graphic information on road conditions, news, weather and stock, but also shows traffic on major roads in different colors over the map. The country's largest telecoms carrier KT recently unveiled a telematics handset, and teamed up with the Korea Highway Corporation to launch commercial service in February next year. Other leading carriers such as SK Telecom and KTF are also making fast moves to defend their places in the market. The domestic telematics market is expected to be worth around 3.2 trillion won (US\$3.2 billion) in 2007, with the handset segment growing 46.4 percent annually from 220 billion won (US\$213 million) last year to 350 billion won (US\$338.8 million) this year and to 520 billion (US\$503.3 million) next year.
- **Hanaro Telecom, the second largest broadband provider in Korea, announced the launch of VoIP service for enterprise customers.** The service offers not only voice call services but also add-on services catering to business environment of corporate subscribers. Hanaro adopted IP Centrex system for the first time as a VoIP provider in Korea. With IP Centrex, corporate customers do not need to install such equipment as key phone or PBX, saving a lot of money. They can also use web portal, voice mailbox, call manager, conference call and remote office services with the system.

## *Information Technology*

- **ETRI, Korea's leading research institute for developing information and telecommunication technologies, announced the development of a technology to offer broadband, satellite broadcasting and VoIP in moving vehicles like ship, plane, train and bus.** The research firm said it completed development of the system after three years of efforts. The ETRI satellite multimedia system supports a downlink speed of 80Mbps and an uplink speed of 4Mbps in vehicles moving at high speed. With a reduced size but an upgraded quality, the cost of the antenna is only one-fifth the price of similar systems. The antenna works in both of Ku band and Ka band.

## *Semiconductors*

- **C&S Technology, a multimedia chipset maker, disclosed that it would complete development of multimedia chip for DMB phones within this month.** It is planning to mass-produce the chip codenamed Triton the chip soon. Triton supports VOD and HDD PMP with MPEG-4 playback. The

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



Week of 4 December- 10 December 2005

chip also allows record, compress and uncompress of video files. What's more, the chip can be used for DVB-H phone, C&S said. Triton enables all the software necessary for terrestrial DMB so that other broadcast protocols do not need to be added.

## China

### *Internet*

- **The city of Changsha in Hunan province announced the official launching of its online facilities for road tax and road toll payments, according to the Ministry of Commerce Special Commissioner's Office in Changsha.** This online service allows road users from all 14 cities in the province to pay for their 2006 road taxes and road tolls for Changsha online from today onwards. Before this offering, drivers from other cities in Hunan had to settle such payments in their respective registered cities in order to enter Changsha. Now, all vehicle users in the province can submit their payments online prior to entering Changsha. The service has made Changsha is the first city in Hunan to implement this online payment service, which will soon be available throughout the province.
- **Analysys International said Internet auction giant eBay would soon lose its post as the leader in China's booming online auction market, as online auctions in China almost doubled in popularity during 2005.** Registered subscribers of consumer-to-consumer websites in China surged from 15 million in 2004 to almost 30 million by the end of the third quarter this year. EBay currently still leads local competitor Taobao in terms of registered users, with just over 50 per cent of the market. Taobao is, however, ahead on turnover this year, with 57.1 percent of the 2.3 billion yuan (US\$284.7 million) generated in the third quarter, compared to eBay's 34.2 percent. Analysys International predicted that Taobao will surpass eBay in turnover and registered user numbers by the middle of next year. Taobao's success appears to be a partial vindication of its decision to offer free auction services, a move criticized by eBay.
- **MPEG-4 will most probably be chosen as China's IPTV coding (encoding and decoding) standard, which will be decided at the end of year 2005, according to Analysys International.** Analysys International said that the most critical issue of IPTV technology is the coding standard. Telecom operators and broadcasting service providers can only solve this problem together. Although telecom operators are trying to push the process of IPTV commercialization and formulate related technical standard by themselves, it is still impossible for the IPTV industry to boom since the only IPTV license is in the hand of Shanghai Media Group.

### *Media, Entertainment and Gaming*

- **Shanda Interactive Entertainment is making an impact on China's US\$580 million online game industry after switching a popular title to a "free-to-play" model.** Industry observers see the move as possibly raising expectations that all games should be free and could undermine the business of other operators. Many casual games are free, and a growing number of free multiplayer role-playing games are gaining strong popular base. Free-to-play has already seen success in South Korea, the mainland's top source for online games. While casual games have long been free, it is not clear whether multiplayer role-playing titles can take the same direction because of their larger development costs and other expenses such as product marketing, customer service and server infrastructure. Yulang, which entered beta testing in April, has generated US\$1.4 million in sales through September. Legend of Mir II, which had about 233,000 peak concurrent users, took in US\$19.1 million for Shanda. Tencent Holdings, whose first multiplayer title QQ Fantasy has hit

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



Week of 4 December- 10 December 2005

660,000 peak concurrent users in beta mode, had no plans to turn the game into a free-for-all, according to a company official who requested anonymity. As for Shanda, not everyone is convinced its gamble to sacrifice short-term revenue for greater market share will pay off. Analysts said Shanda's free-play offer was likely to lure back players who had migrated to illegal servers.

- **China Media Group Corporation (CMG) announced that it has entered into a cooperation agreement with DreamWorks Movie & TV Culture Media Co. Ltd. (DMCM) on developing the advertising market for Changsha, the capital of Hunan Province in China.** DMCM is advertising placement agency in the Province of Hunan. DMCM is an agent for Hunan Television and Hunan Satellite Television selling advertising airtime and outdoor advertising billboards in Changsha. In 2004 according to iResearch Consulting Group report, the cost of ad spending in Hunan Province was approximately US\$147.4 million.
- **Sun New Media Inc. (SNMI) announced that it has finalized an agreement to acquire Telefaith Holdings Limited (Telefaith), the parent company of Shengji Information Technology Ltd (Shengji), one of China's leading providers of mobile media services.** The acquisition is seen as boosting SNMI's growing presence in China's mobile media services market. Shengji is a start-up company that brings a number of critical assets to SNMI, the most important of which is Shengji's proprietary technical platform for scalable delivery of mobile multimedia and m-coupons.

## *Mobile/Wireless*

- **iPackets International Inc., a global provider of wireless data solutions for network operators and enterprise markets, announced that it is targeting the Chinese mine-safety industry with its iPMine comprehensive software solution.** iPMine is described as an advanced 2-way wireless solution for tracking, monitoring, and communicating with miners and equipment underground and above ground. iPMine provides the necessary tools to improve all aspects of mine-safety by tracking, in real-time, the location of miners and equipment. Mine-safety has been a major issue in the Chinese mining industry, with the government declaring that it would be spending more than US\$361 million this year on "safety technologies upgrading" at selected State-owned coal mines.
- **Cgogo Technology (Beijing) said that it would introduce the first M-commerce service, called the "Mobile Shopping Mall" (MSM), with the main Chinese mobile carriers.** M-commerce, or mobile-commerce, is a technology that allows users to place orders and transact business through their mobile devices. MSM allows subscribers to browse products, place orders and finally make payments via their mobile devices. Businesses can make use of this platform to broadcast their news and promotions. The MSM is available on a dedicated site accessible via i-mode handsets. Cgogo Technology is a leading provider in the mobile search industry that offers differentiated mobile Internet searches, WAP search, Intranet search and other data services to 300 million mobile end users in China. MSM is targeted at teenagers and adults who are fashion-oriented, which is considered to be the group with the strongest purchasing power in China.
- **Holley Metering Ltd. is introducing a new wireless automated meter reading (AMR) system to help the country's public utilities deal with its housing boom.** Based on ZigBee technology by Ember Corp., the new AMR system aims to help China's utility providers cut cost by a large extent and improve their service delivery by eliminating the need to manually read meters at homeowners' premises. The device is also a response to China expecting to build more than 70 million new homes over the next ten years. The ZigBee-based AMR system creates self-forming wireless mesh networks



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



Week of 4 December- 10 December 2005

across neighborhoods and apartment complexes that link meters with utilities' corporate offices. They can remotely monitor a residence's electric, gas and water usage more efficiently with fewer errors and at lower costs, while improving customer service. Holley Metering is China's largest utility meter manufacturer and AMR system/solution provider.

- **DOM, a South Korean company specializing in mobile phone cover manufacturing and mobile phone assembly, announced that it has settled in Tianjin Economic-Technological Development Area (TEDA).** DOM has invested US\$4 million in the Microelectronic Industrial Park of TEDA in a move to establish its first production facilities in China. With three production factories in South Korea, DOM is an OEM manufacturer for big international players such as Nokia, SKT of South Korea and Kyocera of Japan, and is recognized as strong in research and development, having obtained nine international patents.

## *Software*

- **Teradata, the data warehousing business of NCR Corp., announced that Zhejiang Telecom Co. Ltd., a market leader in China's telecoms industry, has deployed the Teradata Warehouse for development of an operational analysis and decision support system.** Under the system a customer-centered and single view of the business through integrated data from more than 20 million subscribers in the Zhejiang province will be offered. The Teradata Warehouse will enable Zhejiang Telecom to integrate data from 20 million subscribers in China's Zhejiang province. Analysts see the move as supporting Zhejiang Telecom's business plan to shift its emphasis from acquiring new customers to increasing the profitability of existing customers.

## *Hardware*

- **Beijing announced the approval of its own homegrown audio-video standard, according to the state press.** The move is seen as challenging current DVD coding formats and paving the way for China to set new global industry standards. The approval for commercial use of the digital coding and decoding technology known as AVS is expected to help China save more than US\$1 billion in royalty fees, following data from the Ministry of Information. The new standard could further intensify the battle between two competing formats - HD DVD and Blu-ray disc being developed by Japanese giants. Both technologies are vying to become the next generation of audio-visual technology used in digital TVs, laser discs, digital video, video conferencing and 3G-based data services.

## *Telecommunications*

- **Harris Corp., a leading global provider of wireless equipment and services and Shanghai Post & Telecommunications Equipment Co., Ltd. (Shanghai Vision) announced their agreement that would allow Shanghai Vision to distribute Harris' TRuepoint microwave digital radios in China.** Shanghai Vision is a leading Chinese reseller of telecoms equipment specializing in the development, production and marketing of high technology information and telecoms products. It has been selected by Harris to further expand its market share in China's large cellular market. Previously, operators in China required multiple radios and interfaces to achieve wireless backhaul and access capabilities but TRuepoint is the only platform in the industry that allows wireless operators to seamlessly move between PDH and SDH applications, while simultaneously delivering IP-based and TDM traffic.
- **China Voice Holding Corp. announced the completion of its initial installation of hardware and software for its virtual PBX system at one of its co-location facilities in Beijing, China.** The company said the installation of the hardware and software in Beijing is expected to enable the

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



Week of 4 December- 10 December 2005

company to begin installing the initial 3,000 lines of premium virtual PBX services to Chinese government agencies and commercial customers pursuant to strategic agreements that will result in a total of 160,000 installed lines and US\$64 million of annualized revenue by year-end 2006.

- **Avaya Inc., a leading global provider of business communications applications, systems and services, announced that China's Bank of Communications (BOCOM), one of the oldest banks in China, will employ Avaya's Interactive Voice Response (IVR) systems.** The system is expected to enhance its automated customer call center services. Using synthesized speech, the system can respond to an incoming call, request specific information from the caller and provide information or services based on data from the caller. With the help of advanced IP (Internet Protocol) communication technologies, clients will be able to interact with the bank's contact center through multi-channels, at any time, and from any location. The system also supports speech enabling of existing web-based applications using VoiceXML2.0, which gives businesses greater flexibility in how they build, deploy and manage speech applications.

## *Information Technology*

- **China's increasing competitiveness is forecast to lead to another record year of investments by mainland businesses on communications and information technologies, according to Gartner.** Total enterprise information technology spending is expected to grow 8.6 percent on the mainland next year to US\$62.2 billion from an estimated US\$57.3 billion this year. The mainland would continue to account for more than a quarter of total business IT spending in the Asia-Pacific next year, according to Gartner's vice-president and the group's Hong Kong-based research director. He predicted China would have the largest English-speaking population in Asia by 2008, which would have a significant impact on business and IT worldwide. With the language barrier removed, mainland firms are expected to rival India and other English-speaking markets in the region in working on a wider range of markets and business segments. Gartner forecast overall enterprise IT spending in the Asia-Pacific would reach almost US\$210 billion next year, as worldwide enterprise IT spending hits US\$1.7 trillion the same year.
- **PacificNet Inc., a leading provider of Customer Relationship Management (CRM), telemarketing, call center, Interactive Voice Response (IVR), and Value-Added Services (VAS) in China, announced that its subsidiary, PacificNet Linkhead, has completed an IVR customer service center system for ChinaGoHi.** Headquartered in Shenzhen, China, ChinaGoHi operates one of the leading Direct Response Television (DRTV) infomercial marketing companies for financial advisory services in China. Key features of the new 1000-line IVR system include automated call distribution and call answering, real-time customer billing, order and subscription status inquiry, automated information update via IVR, SMS, or fax, order confirmation via voice log teleconferencing with multiple chat-rooms, CRM database management, Computer Telephony Integration (CTI), Internet web integration with web-based video and voice broadcasts, web-based information management, and a fax server.

## *Ventures/Investments*

- **SVB Financial Group, the parent company of Silicon Valley Bank, officially opened its third international subsidiary yesterday in Shanghai.** Called the SVB Business Partners (Shanghai), the firm provides consulting and business services, acting as a gateway for U.S.-based and China-based technology companies and venture capital firms pursuing cross-border business. In China, SVB Business Partners will serve as training and networking hub for local entrepreneurs and investors. SVB Business Partners (Shanghai) is a part of the SVB Global division, which comprises offices in Bangalore, London and Shanghai.



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



Week of 4 December- 10 December 2005

- **Juniper Networks said it is boosting its presence in China by moving the majority of its outsourced international manufacturing capacity to the mainland.** The planned expansion would follow Juniper's strategic investment in a major research and development facility in Beijing and its US\$4 billion acquisition last year of NetScreen Technologies, a network security appliance maker co-founded by two China-born but U.S.-based entrepreneurs. Juniper is currently working with its manufacturing partners, primarily Celestica and Plexus, to establish a base on the mainland for the manufacturing and deployment of its products. The company said the move to increase its presence in China would help Juniper optimize the cost of technology development and to take advantage of state-of-the-art production facilities in China. Juniper competes in China against large rivals like Cisco Systems and Nortel and strong mainland players such as Huawei and ZTE.

## Taiwan

### *Semiconductors*

- **VIA Technologies disclosed that it would stop using Intel technology in its central processors starting next year.** The company said it would instead work on a plan that will expand its own technology portfolio. A three-year agreement for VIA to use Intel's front-side bus (FSB) technology in its own central processing units expires in April next year and will not be renewed. VIA said it would not renew licensing agreements because Intel's technology is not up to speed. Observers point, however to the royalty payments the Taiwan company must pay to Intel as the main reason for the company's move to create a homegrown technology. The present licensing agreement was signed in 2003 at the conclusion of one of a series of lawsuits that saw Intel sue VIA for patent infringement.
- **Taiwan Semiconductor Manufacturing Co (TSMC) reported a 4.9 percent rise in its sales in November from October, hitting a record NT\$27.5 billion (US\$820.7 million).** The November sales posted a growth of 31.1 percent year on year. The company's October sales were NT\$26.2 billion (US\$782 million). For the 11 months to November, sales rose to NT\$237.1 billion (US\$7.1 billion) from NT\$236 billion (US\$7 billion) previously. TSMC said it expected sales to grow to NT\$77 billion (US\$2.2 billion) to NT\$79 billion (US\$2.3 billion) in the fourth quarter to December from NT\$69.2 billion (US\$2 billion) in the third. TSMC's rival United Microelectronics Corp announced an increase in its sales to NT\$9.4 (US\$280.5 million) billion in November, down 0.4 per cent from NT\$9 billion (US\$268.5 million) in October. The November value marked a rise of 1.4 percent year-on-year. Sales in the 11 months to November, however, went down to NT\$81.7 billion (US\$2.4 billion) from NT\$108.4 billion (US\$3.2 billion) previously.

### *Hardware*

- **AU Optronics, Taiwan's leading flat panel maker, said sales in the first 11 months to November hit a record NT\$192.8 billion (US\$5.7 billion), up 24.6 percent from last year.** AU Optronics, the world's third biggest maker of thin-film-transistor liquid crystal display panels, said both the November sales value and shipment volume marked record highs. The company attributes its growth to strong demand for applications such as desktop monitors, notebook PCs and LCD TVs, shipments of large-size panels, which posted a 2.3 percent rise in November from the previous month to record 3.1 million pieces.

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



Week of 4 December- 10 December 2005

## Hong Kong

### *Internet*

- **The government announced that Hong Kong Post's electronic certification service, which has cost nearly HK\$90 million (US\$11.6 million) in losses in the past five years, would be tendered to the private sector.** The government has invested a total of HK\$208 million (US\$26.8 million) in the commissioning, operation and promotion of the e-Cert scheme. But it incurred a cumulative operating loss of HK\$89.4 million (US\$11.5 million) by the end of the 2004-05. The loss in the previous year was HK\$15 million (US\$1.9 million), despite Hong Kong Post's favorable financial position with an overall income of HK\$220 million (US\$28.3 million) in the same year. Only 10 percent of 1.2 million people who had free personal e-Certs embedded in their smart ID cards between 2003 and 2004 had used the service, according to a recent government review of the Hong Kong Post Certification Authority. The authority said it had thought the rising number of fraudulent web sites could generate a market in the authentication for Internet banking. But the major banks had nonetheless chosen alternatives such as one-time passwords and text messaging. In a proposal to be discussed by the Legislative Council, the authority said it would next year invite the private sector to collaborate with it in running the e-Cert service between 2007 and 2011. The successful bidder will finance the operation, while Hong Kong Post would act as the legal body for quality assurance.
- **SINA.com.HK, a member of Sina Corporation, and a leading online media company and value-added information service provider in Hong Kong, announced its selection of ServGate to provide comprehensive e-mail filtering for portal's registered MySinaMail webmail users.** With 3.5 million registered users, SINA.com.HK is one of the biggest portals in Hong Kong. Specifically for SINA HK's MySinaMail deployment, ServGate designed a multi-tiered phalanx of EdgeForce platforms running spam and virus screening applications by McAfee.

### *Mobile/Wireless*

- **Telstra announced that its wholly owned unit Hong Kong CSL would merge with New World Mobility to become the largest mobile phone company in Hong Kong.** Telstra, a firm that is 51.8 percent owned by the Australian government, said the deal would be done on a debt-free basis and create an entity that would hold a 34 percent market share in Hong Kong. A top official of Telstra said that the two customer bases were complementary, adding that CSL predominantly operated in the higher value customer market, while New World had achieved 17 percent market share by targeting value-conscious subscribers through a low cost business model. Under the merger, Telstra will own 76.4 percent of the merged business and receive HK\$244 million (US\$31.4 million) in cash. Telstra can nominate four directors to the board of the merged company, including the chairman, and New World will name two directors. All of CSL's and New World's brands would be retained because of the different market segments that the two companies had targeted. Telstra disclosed that synergies and cost savings in the order of US\$300 million annually were expected through rationalization of networks, IT systems and corporate support.
- **Hutchison Whampoa said it would outsource management of its British third-generation (3G) mobile-phone network to Swedish wireless equipment maker Ericsson.** The deal is valued at more than HK\$14.8 billion (US\$2 billion) and is seen as an index of potential developments in the industry. Hutchison and Ericsson have entered into a seven-year deal under which the Swedish company will provide network-managed services and supply equipment and additional technology to 3UK. Both firms did not disclose details on the size of the contract, but said its value would exceed the amount Hutchison will pay Ericsson to manage its Italian 3G network over five years. In that deal,

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



Week of 4 December- 10 December 2005

Hutchison transferred 760 network and IT technicians to Ericsson. Telecoms firms are increasingly outsourcing network management to move operating expenditure off their income statements and achieve cost savings, allowing them to focus on developing services. Hutchison's Italian 3G unit, which is preparing for a market listing, expects to save HK\$2.2 billion (US\$283.7 million) over its five-year contract with Ericsson. An analyst said the deals between Hutchison and Ericsson would have little impact on the group's balance sheet.

## *Information Technology*

- **Automated Systems Holdings, Information-technology services provider, revealed that growing demand for document management would become its major growth driver.** The company said it was receiving an increasing number of orders for document management systems from the government and private firms, securing a government contract worth several millions. Automated Systems said it has acted as a middleman between end-users and technology providers such as IBM and Hewlett-Packard, and had seen a remarkable rise in contracts from Macao. With no plans to explore opportunities in major mainland cities, the company said it was looking for acquisition or investment opportunities in other information-technology firms. The company posted 38.2 percent growth in its net profit for the first half to September to HK3.6 million (US\$464,000).

## **Singapore/Malaysia/Philippines/Indonesia**

### *Media, Entertainment and Gaming*

- **Singapore revealed its plans to spend S\$1 billion (US\$594.1 million) into developing its digital media industry with the aim of producing blockbuster animation films and video games.** The Economic Development Board, Singapore's foreign investment promotion agency, has earmarked the money over the next 10 years and estimates the industry will contribute S\$10 billion (US\$6 billion) a year to the economy by 2018. The government source said about 6,000 new jobs would be created and a further 24,000 jobs were likely through economic spin-offs. Areas of the digital media industry such as games and animation are experiencing double-digit growth rates worldwide, with earnings of the gaming industry already overtaking the Hollywood box office. Singapore has already attracted big names from the industry such as Lucasfilm, the company of legendary U.S. director George Lucas. The company set up shop in Singapore in October to produce TV shows and feature films for the global market. A major component of the new investment would be to train and upgrade skills in game design and animation, encourage companies to do research and development and to promote local and foreign investment in Singapore-made projects.

## **United States/Canada**

### *Internet*

- **Electronic Arts Inc. announced that it had agreed to buy JAMDAT Mobile Inc. for US\$27 a share in cash and also assume outstanding stock options for a total of about US\$680 million.** Electronic Arts said this deal would accelerate its aim to expand globally in mobile, with the two companies together planning to publish over 50 games for mobile phones in the first year after completion of the transaction. The acquisition is expected to close in Electronic Arts' fiscal fourth quarter when one-off acquisition-related charges are expected to be between 10 cents to 15 cents a share.

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



Week of 4 December- 10 December 2005

- **News Corp disclosed that the company was considering teaming up with a partner in sponsored search as it expanded its online strategy.** The company did not say whether it would acquire an Internet provider or seek a partnership with an ISP. The official said the company was getting proposals from several firms, which include Quigo. A search service, which enables computer users to find information by entering keywords, remains an element to be added to News Corp's growing array of online media assets, which started with its US\$580 million acquisition of the social networking site MySpace.com.
- **Grouper Networks announced the launching of a service that enables users to share their homemade videos over the Internet and play them on portable devices.** The service builds on the success of the firm's online photo-sharing sites. The startup says the free service will give users the platform and software tools to present photos and video taken from their cameras to an online audience of their choice, whether privately with a circle of friends, or publicly with the world. Grouper started as a file-sharing, peer-to-peer network for music and other digital information. It is now one of the companies capitalizing on the video-sharing trend. The company said it will offer unlimited uploads of video clips to the service. Users can also choose to have their handiwork viewable by only a private network of friends. Grouper's downloadable video application, which works only on Windows XP-based computers, also lets users edit their movies, add music and effects, and compress the files. The service lets users publish their filmstrips or videos to other web destinations, such as social networks Friendster and MySpace. The firm says it is keen on keeping a version of the service free although it has plans to charge a fee for a premium service in the future.
- **RealNetworks announced its plan to launch a web-based version of its Rhapsody, a subscription music service, making it the latest company hoping to capitalize on growing consumer interest in software and services that can be accessed anywhere via the Internet.** The web-based Rhapsody service will enable users listen to the songs from its catalogue over the Internet without downloading the desktop application that is currently required, a move that will make RealNetworks' service accessible to people using Apple Computer or Linux-based systems. Rhapsody allows people listen to as many as 25 songs per month for no charge, or an unlimited number if they buy one of its paid programs.
- **A lawsuit was filed against the Time Warner unit seeking to potentially cover hundreds of thousands of America Online subscribers.** The charge accuses the Time Warner unit of illegally billing customers by creating secondary accounts for them without their consent. The lawsuit claims the company confused and deceived customers about the charges, stopped them from canceling unauthorized accounts and refused to return questioned fees. The lawsuit also names ICT Group, an outsourcing company AOL retained to respond to customer complaints and billing matters. New York-based Time Warner has been reported as holding exploratory talks with companies including Microsoft about a potential investment in or sale of AOL, which has become a hot property because of its booming advertising sales and ability to draw in large audiences online.

## *Mobile/Wireless*

- **AskMeNow, a California-based firm, offers a service to American cell phone users, which allows them to send in any questions through text messages, with Filipino staff doing the research and the answering, a situation that shows another case where a foreign firm has found the Philippines an ideal site for locating back-office functions, call centers and other forms of business process outsourcing (BPO).** AskMeNow said they chose to locate in the Philippines because workers in this former U.S. colony have a better understanding of American culture and

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



Week of 4 December- 10 December 2005

language and are skilled in English, citing the Philippines as an excellent source of knowledge-based workers", as well as telecommunications engineers. AskMeNow revealed that most of their expansion would be in the Philippines. The government's Board of Investments estimates that 112,000 people are working in call centers, bringing in US\$1.12 billion in revenues this year - a sharp increase from 2000 when call centers employed just 2,400 people and earned US\$24 million. The government boasts that the Philippines has cost-competitive, highly skilled, readily available labor with low overhead and a strategic location easily accessible to major Asian cities and the US west coast. The Philippines hopes to capture about 5 per cent of BPO globally by 2010, amounting to as much as US\$10 billion.

## *Media, Entertainment and Gaming*

- **Indiagames Ltd. disclosed its signing of an exclusive licensing agreement with Electronic Arts (EA), the world's leading interactive entertainment company.** The agreement would allow Indiagames to distribute EA's line of mobile games to consumers across multiple mobile carriers in India. China's TOM Online Inc. owns 62 percent of Indiagames shares; other key investors include Macromedia Inc. and Cisco Systems Inc. In a separate report, EA announced that it has agreed to acquire mobile game provider Jamdat Mobile in a deal worth approximately US\$680 million. Electronic Arts said it would pay US\$27 in cash for each share of Jamdat stock and assume outstanding stock options. The acquisition, which is expected to close in EA's fiscal fourth quarter, which ends on March 31, would quickly give the world's leading video game publisher a stronger foothold in the growing and lucrative mobile game market, estimated to be about US\$1 billion globally. Los Angeles-based Jamdat is one of the world's leading publishers in wireless entertainment applications. Its portfolio includes hit mobile phone games such as Tetris, Bejeweled, and Jamdat Bowling.
- **Sigil has reportedly acquired the rights to develop a Marvel Comics MMORPG for the XBOX 360 and the PC.** If the reports of Sigil making the Marvel MMORPG are true, observers contend they must be publishing it through Microsoft who acquired the exclusive rights to that license earlier this year. In that announcement, it was said that the Marvel MMORPG would be made exclusive for the Xbox 360, so there is some discrepancy between the original announcement and the 1UP story, which indicates it will come for PC as well. Sigil Games Online, Inc. is a game studio dedicated to the development of massively multiplayer games, and is working on Vanguard: Saga of Heroes, which is funded and to be published by Microsoft Game Studios.

## *Software*

- **Microsoft Corp was ordered to unbundle its instant messaging service from its Windows software and allow rival products on its system in South Korea after losing a ruling on unfair business practices.** The US software giant was fined about US\$32 million. Microsoft said it would appeal the decision by South Korea's Fair Trade Commission although nothing was said about its threat to withdraw Windows from the country. The ruling declared Microsoft as breaking antitrust laws by selling a version of its Windows operating system that incorporated its instant messaging software. Analysts said the ruling would benefit smaller rivals who used rival Linux-developed software. Microsoft was ordered to introduce a version of Windows that allows embedding of products of other software makers, while separating its Media Server from the operating system. An analyst at Samsung Securities does not see the FTC's decision as having a significant impact on the local software industry because local software-makers still lack competitiveness and profitability compared with Microsoft.
- **Symantec said it is looking to deriving a greater portion of its global sales from the China market, as small and medium-sized enterprises on the mainland grow more aware of Internet security threats.** Symantec said it was coordinating closely with government officials to establish its



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



Week of 4 December- 10 December 2005

business on the mainland. Symantec is primarily known for its desktop applications but it is active on the back-end as well, having acquired storage software company Veritas. The company said Symantec would be able to handle customers of any size.

## *Information Technology*

- **Young consumers are using more technology at a younger age to connect with more people than ever before, according to a survey of more than 5,000 U.S. and Canadian online youth between the ages of 12 and 21 by Forrester Research.** For example, 87 percent of 15-year-olds use instant messaging, while nearly half of 12- to 14-year-olds has a mobile phone. Forrester surveyed young consumers regarding their use of various devices, gaming, online activities, music downloads and file sharing, communication technologies, and attitudes toward media and advertising. The study shows more than three out of four young consumers have a mobile phone. MP3 players top the device wish list. Twenty-five percent of young consumers said they plan to purchase an MP3 player in the next 12 months. Entertainment occupied their online time, with young consumers spending almost 11 hours per week online. The study shows young consumers as being the social marketing vanguard. Fifty-two percent say they rely on recommendations from friends or family when making a purchase, compared with just 34 percent of adults.

## **Europe**

### *Mobile/Wireless*

- **European publishers warned that they could not keep allowing Internet search engines such as Google to make money from their content, with the head of the European Publishers Council declaring that the new models of Google and other firms runs counter against the traditional permission-based copyright model of content trading that have been built up over the years.** This position supports French news agency Agence France-Presse, which is suing Google for pulling together photos and story excerpts from thousands of news web sites. The news section of Google's web site does not display advertisements but the company depends on visitors clicking on ads in other parts of its website to generate revenues that have substantially reached up to US\$4.2 billion in the first nine months of this year. Agence France-Presse is seeking at least US\$17.5 million in damages. AFP says Google is breaking rules on the "fair use" of copyright material because its news site looks similar to the one seen by AFP subscribers. Yahoo has a similar service but uses human editors and pays some news sources, including AFP and The Associated Press, for rights.
- **NTL, a British cable firm, said it has made US\$1.4 billion takeover offer to Virgin Mobile to create a television, internet, phone and mobile phone service provider under the Virgin brand.** The cable firm said Sir Richard Branson, who owns 72 percent of Virgin Mobile through his Virgin Group, has told NTL that he would exchange his holdings for NTL shares and maybe a small portion in cash if the transaction proceeded. The acquisition of Virgin Mobile would allow the communications firm to add mobile services to its existing lineup, giving it a potential advantage over rivals such as BT Group and satellite broadcaster BSkyB. An industry source said the Virgin Mobile board might hold out for a better price, however. Analysts said there was a chance of a counter bid with possible interest from Vodafone Group and France Telecom's Orange. Analysts generally welcomed the deal, though some were concerned NTL already had its hands full integrating its recent acquisition, cable TV rival Telewest. Virgin Mobile is Britain's fifth-largest mobile phone carrier. NTL is the second-largest UK pay-TV operator behind Sky and is the second-largest residential telephony provider behind BT.



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



Week of 4 December- 10 December 2005

This document is provided for information purposes only, and constitutes neither investment advice nor the recommendation to purchase or sell securities of the companies named in this document. IRG Limited, and its affiliated companies, make no representation as to the accuracy or completeness of the information contained in this document.