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IRG Technology, Media and Telecommunications

and

Life Sciences Weekly Market Review

Week of 22 January – 28 January 2006

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Weekly Highlights

International

Media, Entertainment and Gaming

- **Game publishers worldwide are making a big push to attract new gamers by introducing easier to play games while lowering prices and expanding beyond the "dragons-and-wizards" theme.** NCsoft Corp., the South Korean publisher of the popular Lineage series of games, disclosed its plans to offer a vehicular combat game, while other companies are making incursions into adventure and science-fiction games. Sony Online Entertainment Inc., a unit of Japanese electronics giant Sony Corp., said it is considering releasing an online game that will be free to download but users are charged for extra features. Analysts say these moves are risky because it costs as much as US$30 million to develop a single MMORPG title, which appeal to mass audiences in Asian countries like South Korea where high-speed web connections are widespread. MMORPGs generated US$540 million in revenue in the U.S. last year, up from US$430 million in 2004, according to Dallas research firm Parks Associates. Funcom N.V. began offering in 2004 a basic version of its Anarchy Online science-fiction game that is free to download and play, with the basic version relying on revenues from billboard advertising inside the game from companies like Coca-Cola Co.
- **Despite moves to combat piracy and a massive increase in online and mobile music store revenues, recorded music sales declined last year, according to the International Federation of the Phonographic Industry.** The industry's leading global body said global music retail revenues posted a 2 percent decline last year versus remaining flat at US$33.6 billion in 2004. The current results are based on data from three-quarters of the global market and underline major challenges confronting record companies. The diminished overall sales resulted amidst an increase in digital music revenues to US$1.1 billion from US$380 million.

Mobile/Wireless

- **Helped by sales in emerging markets, Nokia Oyj and Motorola Inc. maintained their market-share leads over smaller competitors including LG Electronics Inc.** Nokia's market share was 34.2 percent in the fourth quarter, up from 33.6 percent a year earlier. Strategy Analytics, a Boston-based researcher revealed that Motorola's market share rose to 18.3 percent from 16.2 percent. The two companies are gaining market share with their entry-level phones in developing markets, the source of most of the growth. Nokia said record sales in the fourth quarter had only a minor impact on profits as average selling prices fell because more handsets were sold in emerging markets and because of increased competition. In another report, the market share of South Korea's Samsung Electronics Co., which holds the No. 3 slot, went up to 11.1 percent in the fourth quarter from 10.7 percent and Sony Ericsson Mobile Communications Ltd. increased its share to 6.6 percent from 6.4 percent. LG's market share decreased to 6.6 percent from 7.1 percent. Global handset sales registered a 19 percent growth to more than 810 million units in 2005, Strategy Analytics said, and it expects 2006 shipments to be in excess of 930 million mobile phones.

Internet

- **San Francisco had the most wireless Internet "hot spots" in the United States while Seoul topped the list worldwide, according to JiWire, an Internet directory.** There are some 800 "wi-fi" or wireless fidelity points in San Francisco where people with laptop computers can access broadband Internet connections. Globally, San Francisco ranked fifth in the world behind Paris, London, Tokyo and Seoul. JiWire listed more than 2,000 wi-fi spots in Seoul, 1,802 in Tokyo, 1,627 in London and 950 in Paris. New York City came in at No. 2 in the U.S. with 643 hot spots and Chicago was No. 3 with 501. JiWire said there are massive programs to set up wireless broadband connections in South Korea and Japan, which are among the Asian countries that are ahead of the United States with regard to wireless technology.

Japan

Internet

- **Yahoo Japan Corp. announced that it has launched an advertising service that will drive growth of virtual stores on its Internet auction site.** Ads placed by online shops appear on the auction site when visitors enter certain key words purchased by vendors. Yahoo Japan stresses that the ads will have a greater impact than conventional search word-linked advertisements because the ads are seen by people who actually plan to shop on the site. Yahoo Japan said the service will help increase the number of virtual stores on the auction site. In a separate report, Yahoo Japan, which operates the country's most-visited web portal, said its third-quarter profit went up by 37 percent on increased advertising revenue and fees from its auction services. Net income rose to 12.6 billion yen (US$107.4 million) in the three months to December from 9.3 billion yen (US$79.2 million) a year earlier, and sales posted a 51 percent rise to 46.6 billion yen (US$397.3 million).
- **Iwatsu Electric Co. and Kaga Electronics Co. announced the joint development of a VoIP telephone system for small offices.** The two companies will begin marketing the system early next month. Described as "easy to set up" and designed for offices with up to five phones, the system is called the Selaza system and integrates all of the required equipment into a single server. The phone number for each handset can be configured over the Internet from a service center. In addition to VoIP phone service, the system also has a feature for sending notifications to cell phones when someone leaves a voice message, as well as a feature for editing the phone's directory on a PC. Kaga Electronics developed the system software; Iwatsu Electric developed the hardware and will be responsible for manufacture. A system for an office with three phones carries the cost of about 300,000 yen (US$2,500), with the two companies eyeing a sale of some 24,000 sets in the first year.

Mobile/Wireless

- **An increasing number of portable equipment capable of receiving terrestrial digital broadcasts is hitting the market.** KDDI Corp. said it will launch an au-series cellular phone handset capable of receiving such broadcasts. Dubbed the W41H, it will be the company's second such phone. NTT DoCoMo Inc. will be releasing a similar handset by March and Vodafone KK is also set to follow. Notebook computers capable of receiving such broadcasts are also appearing on the market with Sony Corp. to begin online sales of a notebook computer built with this function. The product will come with a hard disk drive capable of recording up to 363.5 hours of such broadcasts. Matsushita Electric Industrial Co. said it is thinking of distributing software designed to enable users of its Strada car navigation system to receive such broadcasts.
- **There is a rise in cellular-phone-based electronic money services with companies seeing the business potential of the technology.** Four cell-phone-based electronic money services are already being offered and two are in the pipeline. One of the services in the works is going to be employed by Seven & I Holdings Co. and is expected to allow customers to use their handsets to make cashless payments at the company's supermarket and convenience stores. The convenience offered by cell-

phone-based e-money services is expected to make the offering hugely popular among many consumers. Given the large market, even if only a small percentage of consumers sign up purchases settled through these services will still add up to a significant amount. An estimate shows the market for small-purchase settlements at such businesses as convenience stores and coffee shops is worth roughly 60 trillion yen (US$511.5 billion). The one problem that may stall the use of this technology is the incompatibility among in-store reader devices, which may require stores to install multiple reader devices if they want to accommodate users of different services. To address this, a discussion is ongoing now among the members of the Mobile Payment Promotion Association on the standardization reader devices.

Media, Entertainment and Gaming

- **A broadcasting service that will enable people to store TV shows in receivers and watch them at any time will likely start in fiscal 2007 on a trial basis.** A task force comprising representatives from about 90 broadcasters, telecommunications companies, electronics firms and others stated that the standardization of related technological formats will be done by the end of March this year and step up preparatory work, including developing receivers. Firms participating in the project include Japan Broadcasting Corp. or NHK and private broadcasting companies; telecom service providers such as Nippon Telegraph and Telephone Corp. and KDDI Corp.; and electronics equipment makers like Matsushita Electric Industrial Co., Sony Corp. and Canon Inc. NHK said it plans to officially announce the launch of server-type broadcasting in its new business plan. Initially, NHK aims to adopt the service for educational programs and air them for fee to schools nationwide through its broadcast satellite channels.
- **Geo Co., an audiovisual software rental company, announced it will provide a video-on-demand service to cafes offering fee-based Internet services.** The move is aimed at boosting the number of individual subscribers to Geo's VOD services from the current figure of about 100,000 to 1 million by the end of this year. The subsidiary to offer the service is Geo BB, a joint venture established with Index Corp. The unit will provide the service to Airsnet Ltd., a company operating about 40 cafes nationwide. The service's lineup will consist of about 3,000 videos, including movies and music videos, with about 30 to 40 new titles to be added every month.
- **Nintendo Co. announced that it would begin sales in March of a new high-end Nintendo-DS portable game console.** Made more compact, the product is about two-thirds the volume and 80 percent of the weight of the present model and is dubbed Nintendo-DS Lite. With the introduction of the new Nintendo-DS, the company aims to create demand mainly among novices to video games The console has the same wireless capabilities and screen size of the present model, but it is more compact and allows for adjustment of screen brightness to one of four levels. The manufacturer's suggested retail price is 16,800 yen (US$143), which is 1,800 yen (US$15) higher than the current model.

Hardware

- **Matsushita Electric Industrial Co. and Sony Corp. said they will release memory cards capable of storing 4 or more gigabytes of data later this year.** The actions of the two companies are a response to the growing demand for more capacity to store music and video clips on cellular phones, portable game machines and other tiny digital consumer devices. Matsushita plans to release a 4GB SD memory card, with the decision of whether to build the card from 8-gigabit NAND flash or 4G NAND flash dependant on NAND flash prices at the time of production. Sony plans to offer 4GB and 8GB versions of its Memory Stick Duo, which is about the same size as an SD memory card. The current largest-capacity SD memory card and Memory Stick Duo both can store 2GB and are priced at around 20,000 yen (US$170). A 4GB memory card will not be able to hold as much as a DVD, but with data compression it will be able to store around 1,000 songs.

- **Domestic shipments of televisions, DVD recorders and other consumer electronic products posted an increase for the fourth straight year in value terms in 2005, according to statistics released by the Japan Electronics and Information Technology Industries Association (JEITA).** The report says for the first time more LCD TVs were shipped than regular TVs. The value of domestic shipments of the electronic products went up by 6.9 percent to 2.5 trillion yen (US$21.3 billion). In volume terms, LCD TV shipments surged 58.3 percent to 4.2 million units while shipments of regular picture-tube TVs registered a total of 3.9 million units and those of plasma TVs saw a 37.8 increase to 468,000 units. The widening availability of terrestrial digital broadcasting pushed the sales up of flat-panel TVs. The JEITA report showed that domestic shipments of DVD recorders and DVD players saw a 1.5 decline in 2005 to 7.1 million units, compared with shipments of audio equipment that went up in value terms for the first time in six years, showing a 13.3 percent growth to 23.7 billion yen (US$202 million).
- **Sony Corp. and Samsung Electronics Co. announced that they are in negotiations on the construction of their second joint-venture LCD panel plant, a move that is seen as a response to the strong demand for LCD televisions.** The two companies are expected to make a total investment of roughly 300 billion yen (US$2.5 billion) on a new plant in South Korea. The plant is expected to handle eighth-generation glass substrates and begin operating in 2007. Sony and Samsung established their LCD joint venture, S-LCD Corp., in South Korea in April 2004. The use of eighth-generation glass substrates is seen as enhancing production efficiency with 15 32-inch LCD panels capable of being made from one eighth-generation substrate, compared with 12 panels from one seventh-generation glass substrate. Eighth-generation glass substrates also allow more efficient production of 50-inch LCD panels. The final amount invested in the second joint-venture plant may change amidst other Japanese and Taiwanese companies possibly increasing their production capacities.
- **Sony said it will cease manufacturing the Walkman in Japan, with production moving to China and Malaysia.** Sony said it would close its production line of the MD and CD player Walkman at its Saitama Tech factory north of Tokyo by March next year, cutting about 200 jobs in the process. Sony has forecast shipments of the Walkman series at 13.8 million units for the year to March this year, up from 11.9 million the previous fiscal year. In a separate announcement, Sony said it would also end production of cathode-ray tube displays in the United States this year and will instead source production of cathode-ray tube displays in Singapore and China. Sony also said it will close its San Diego plant in June, laying off 400 employees, and also close it Pittsburgh factory, cutting about 300 jobs.
- **Pacific Net Co., a Japanese seller of used personal computers, has received approval to list on the Tokyo Stock Exchange's Mothers market.** The company will offer 6,000 shares to the public in its initial public offering, of which 3,000 are newly issued shares. Cosmo Securities is the lead underwriter of the offering. The company expects to raise some 824 million yen (US$7 million) from the IPO, and plans to use the IPO proceeds for capital expenditures, working capital and others. For the current fiscal year through May 31, the company forecasts a parent pretax profit of 512 million yen (US$4.3 million), a net profit of 302 million yen (US$2.5 million), and revenue of 3.8 billion yen (US$32.3 million). Last fiscal year, the company posted a parent pretax profit of 446 million yen (US$3.8 million), net profit of 230 million yen (US$2 million), and revenue of 3 billion yen (US$25.5 million).

Software

- **Content Idea of Asia Co. announced the development of a printable 3-D code that can hold anywhere from 0.6 to 1.8 megabytes of data.** This capacity is the equivalent of several 60-second animated commercials for viewing on a cellular phone. Dubbed PM Code, it is similar to a QR Code but goes a step further than the QR Code because it can store enough information to immediately view video clips on a cell phone. The technology has many new possibilities. PM Codes could be printed in the ad of a fashion magazine to show a video clip of the model wearing the clothes, or it could be printed on a cosmetic box to display videos on how to use the product. The firm plans to collaborate with publishers and printers to develop a commercial product by this summer, with the software needed for reading PM Code to be distributed free of charge to consumers.
- **NTT Data Corp. announced the development of a technology that can be used to configure highly reliable information systems.** The technology will allow the open products of different manufacturers to be combined. High-reliability systems at present require expensive mainframes, and the new technology is expected to make it easier to increase processing power and expand the functions of information systems. NTT Data disclosed that it spent 3 billion yen (US$25.5 million) to develop the Portomics open system platform, which it will use to configure core computer systems for financial institutions, government offices and private-sector firms starting in the latter half of this year. NTT Data developed the technology with the cooperation of Fujitsu Ltd., Hitachi Ltd., NEC Corp., IBM Japan Ltd., Hewlett-Packard Japan Ltd. and Sun Microsystems KK.

Information Technology

- **Aero Asahi Corp., a leading aerial survey company, announced a new service that will enable Internet access to a regularly updated database of road sign information.** The database contains images of road signs together with information about their geographical location as derived from their GPS coordinates. The information is updated every four months, which is useful for companies that create digital maps for car navigation systems given the constant changes in the road signs. Aero Asahi will market the service to car navigation mapmakers and municipal governments. The fee will be 1,800 yen (US$15) per road-sign image. The company creates the database by capturing images of road signs using digital cameras equipped with GPS receivers. The goal is to have the entire nation covered by the database by 2011. Aero Asahi hopes to generate annual sales of 2 billion yen (US$17 million) with this service after five years.
- **NEC Corp. announced the development of a teleconferencing system that enables up to eight people to talk to each other even as they view pictures and documents on their cell phone screens.** The new system uses 3G cell phones for the FOMA service of NTT DoCoMo Inc. It allows conference participants to choose which pictures to view and also enables users to turn the pages of documents presented by other speakers. NEC said it aims to commercialize the system, which it developed by improving a similar PC-based arrangement, by the end of this year.

Ventures/Investments

- **Analysts are saying that Toshiba Corp's planned acquisition of Westinghouse, a leader in the Chinese nuclear power market, will bring the Japanese giant strong growth.** The security concern regarding power supplies together with the growing demand for energy has pushed China to increase its investment in other energy sources. In this scenario, China was an opportunity for Toshiba to consider a new and stable source of profit. Toshiba was selected as the preferred bidder for Westinghouse, the US power-plant arm of British Nuclear Fuels. No information about the value of the bid was given but observers are putting the value at US$5 billion, making it the biggest overseas acquisition by a Japanese firm in five years. According to analysts, Toshiba has to justify the value of the purchase. The acquisition is seen also as playing a great part for Toshiba to win contracts in China. There is a plan for China to spend about US$50 billion on 30 nuclear reactors by 2020, and Westinghouse might secure an US$8 billion contract to build four nuclear reactors in China.

Korea

Internet

- **Acme Packet announced that Dacom, the second largest long-distance service provider in Korea, is deploying the Net-Net session border controllers in its VoIP network that connects residential and business customers all over Korea**. The Net-Net products are being integrated with the Dacom's Next Generation IP Softswitch platform designed to offer more enhanced services. The deployment of Acme Packet's session border controllers is being done by CommVerge Solutions Korea, a network integration partner of Acme Packet. The offering is aimed at Seoul and most major cities in Korea to offer VoIP and enhanced services in the next couple of years. Upon completion of the deployment, Dacom is expected to be able to secure an expansion of its current service offering of VoIP and high-speed data with secure, high-quality video conferencing and other multimedia IP services.
- **KTH, a leading portal announced its partnership with IBNC, a local agency of Connected of U.S. to provide PC backup to application service providing (ASP) product for business users.** The new service allows business users to remotely store data in PCs over Internet, and retrieve data at a time of theft or loss. The service utilizes the DataProtector Solution, which was developed by Connected and is now used by more than 650 business users and some 2 million individual users across the world. The solution transmits and store data in block units instead of files, preventing unauthorized people to view content.

Mobile/Wireless

- **KTF Co. announced a net profit growth of almost 10 percent in the fourth quarter from a year earlier, a result it attributed to an increase in the number of mobile service subscribers.** KTF said its net income went up 9.5 percent to 109.6 billion won (US$113 million) in the fourth quarter ended Dec. 31. Its sales posted a 7.9 percent growth to 1.5 trillion won (US$1.5 billion) with operating profit climbing 27.6 percent to 214.4 billion won (US$219.4 million). Compared with a quarter earlier, however, net profit and sales dropped 15.7 percent and 1.3 percent, respectively. Operating profit was up 8.3 percent from the previous quarter. KTF registered a net profit of 547 billion won (US$560 million), a 92.7 percent increase from a year ago, on sales of 6 trillion won (US$6.1 billion) for the year 2005. Its full-year revenue excluding profits from retailing mobile handsets reached a record 5 trillion won (US$5.1 billion), up 9.1 percent from a year ago. Last year, KTF attracted around 570,000 new customers, holding a 32-percent share in the local mobile service, a share that went down slightly from 32.1 percent the previous year due to intense competition in the saturated mobile service market. SK Telecom Co. holds 51 percent and LG Telecom Ltd 17 percent. KTF said it aims to see service sales grow 4 percent above this year's 5 trillion won (US$5.1 billion), while targeting 400,000 new customers. The company revealed its plans to spend 1.1 trillion won (US$1.1 billion) in investment this year.
- **The Ministry of Information and Communication said a new mobile spam-tracking system will be implemented in February with the hope that the move will drastically reduce unsolicited calls and messages.** To be operated by the government-run Korea Information Security Agency, the system is expected to conduct an automatic filtering out of a good part of unidentified text messages

leading to Internet web sites and "one-ring" calls, leaving the user with an unknown number. The government agency said it is readying to secure 1,000 spammers' numbers in cooperation with the nation's three mobile operators in order to implement the system. Until now, it was only possible to block mobile spams by reporting to a mobile carrier's call center or web site.

- **The Korea Communications Commission initiated an investigation into whether wireless operators forced mandatory subscription periods on consumers purchasing new mobile handsets.** The law is banning the imposition of such mandatory period, which was widely adopted in the past. The commission said it has plans to impose heavy fines or penalty if it finds any violation of the ban. According to reports, the commission launched an investigation upon filing of consumer complaint that some wireless carriers' agencies asked them to agree to a three-month mandatory subscription when purchasing new mobile phones. These practices are common in the industry, since agencies can receive service fees from telecoms companies after maintaining a contract for three months. Wireless operators are also seeking to avoid providing subsidies for short-term subscribers.
- **Pantech Group, Korea's second-largest mobile phone manufacturer, has announced the introduction of the IM-U100 handset, which is designed to provide users with a state-of-the-art Portable Multimedia Player (PMP) phone.** The device has an MP3 player, camera and movie functions. The model includes a 2.6 inch wide TFT LCD screen, which is two times larger than the screens on other multimedia handset models in Korea and among the largest of its type in the mobile handset sector globally, and thus allows an enhanced multimedia experience for mobile phone users. The device will be marketed under Pantech's SKY brand and will be initially targeted at the Korean market. The handset will be priced at approximately US$550 and will be launched in Korea later this month.
- **Remoba, a developer of software solutions for mobile phones, said it has deployed a new product called "RemoMail".** The offering is a software application that provides access to email on mobile phones. RemoMail is seen as keeping the users linked to their family, friends, and business contacts. The solution works in an area with cell phone coverage and allows users to have connection to up to five of their personal and company e-mail accounts. The company believes RemoMail will become a mass market application. The offering is available for multiple mobile phone carriers in United States, South America, and India in English and Spanish, with future plans to launch worldwide with support for multiple languages.
- **LG Telecom announced the signing of an MOU with Nexon to provide a mobile item shop, Kart Member Shop.** Under the agreement, Kart Member Shop will allow mobile users to purchase online game items for Nexon's Kart Rider casual game via their mobile phone for a monthly fee of 3,000 won (US$3). However, gamers still need to pay for the individual game items and a data call fee is also charged. LG Telecom is also planning to launch various mobile games and Nexon also revealed its plans to launch a W2P (web to phone) service on its game portal website. The W2P service will sell LG Telecom's mobile games and Nexon also plans to start a mobile game portal service this year, with the company expecting to post about 20 billion won in mobile game revenue this year.

Semiconductors

- **Hynix Semiconductor announced the quadrupling of its fourth-quarter net profit over the previous year, a result it ascribed to the huge demand for NAND flash memory chips and a one-time gain from a tax deferral.** Hynix, the world's second-largest maker of memory chips, disclosed earnings of 751 billion won (US$768.8 million) in the three months to December versus a net profit of 186.1 billion won (US$190.5 billion) in the same period a year earlier. The sales of Hynix during the quarter showed a 30 percent increase to 1.7 trillion won (US$1.7 billion) from 1.3 trillion won (US$1.3 billion) a year earlier. The company stated that NAND flash memory accounted for 40 percent of sales, an increase from 30 percent in the previous three months. DRAM chips contributed about 60 percent of revenue in the quarter.

Media, Entertainment and Gaming

- **Soribada, whose music file sharing service closed late last year, said it is in discussion with the Korea Association of Phonogram Producers (KAPP) to launch a fee-charging music file download service.** Soribaba, an online music service provider, lost a large portion of its users after the shutdown of P2P service late last year, and now faces legal actions against other mainstream services such as File Bada and Orgol. The company is back in the negotiation process after it received some 10 billion won (US$10.2 million) from Softland in an investment deal; the stock price of Softland has been reported as going down since the deal. Observers are saying that the two competing parties may soon resolve their differences in the end and it was reported that KAPP viewed the fee-charging service of Soribada as contributing to the industry's revenues.

Telecommunications

- **KT Corp., the country's largest telecom operator, disclosed its decision to acquire 356.7 billion won worth of shares of its wireless affiliate KTF Co.** The purchase will improve corporate value and is a response to the fast-changing telecom market, KT said. The company also said in a regulatory filing that its net profit declined 20 percent year-on-year to 997.3 billion won ($1 billion) in 2005. The company said its operating profit dropped 21.6 percent to around 1.6 trillion won (US$1.6 billion) last year, which the company attributed to increased marketing and labor costs, while its revenue went up to about 11.8 trillion won (US$12 billion). Analysts believe KT's additional acquisition of KTF shares is part of its plan to merge with KTF in the long-term.
- **The Ministry of Information and Communication said that Silicon Valley Overseas IT Support Center (iPARK) at the Korea IT Industry Promotion Agency exchanged a memorandum of understanding (MOU) for cooperation in DMB and Wibro with the Telecommunication Laboratories, the largest information and telecommunication laboratory in Canada.** The discussion with the authorities of Canada federal government and Alberta provincial government revolved around a pilot service related to DMB and Wibro in the fourth quarter of this year. The two parties agreed to cooperate in conducting a pilot business in such areas as DMB, Wibro, home network and digital contents and exchanging information, a joint seminar and a joint incubating. They also agreed to work together in utilizing research facilities and test infra of TR labs, participating in joint research, taking a field trip for an advance technology and developing human resources.

China

Internet

- **Telecom Communications, Inc. (TCOM) announced the filing of IPO with the SEC by its subsidiary, Alpha Century Holdings Ltd. (Alpha).** The company expects to raise through the IPO US$10 million in investments to develop Alpha's SME's Internet business services in China. The IPO is scheduled to start in May 2006. Alpha's revenue in fiscal 2005 was approximately US$8.5 million while its profit was US$3 million. If the IPO plan is successful, TCOM will continue to be the controlling shareholder of Alpha. TCOM offers integrated communications network solutions and Internet content services, including voice, video, data web and mobile communications.

- **China Expert Technology Inc. said it has secured a US$35 million contract to implement an e-government system for Licheng city government in the Fujian province.** The e-government project is aimed at establishing a national electronic government system that will use the Internet to provide administration and service to the citizens. The project will begin in Nov. 2006 and last for three years. China Expert Technology Inc. provides large scale network infrastructure construction mainly for e-government projects in China.
- **The China Internet Network Information Center (CNNIC) disclosed its plans to make amendments in its existing rules that pertain to domain name dispute resolutions.** The move would leave trademark owners without claim over some domain names. The revised rules, which are expected to be enforced next month, will feature three major changes with emphasis on the protection of a domain name applicant's rights and interests. First, the new rules define the effective period for domain name disputes. The new rules give a different meaning to "vicious registration", saying that ordinary domain name selling or leasing is not "vicious" unless the domain name holder wants to sell the domain name to a competitor for profit. The rules specify the rights of the domain name holders, saying that trademark owners are not necessarily the owner of the concerned domain names.
- **Sina announced that it has agreed to sell its 33 percent stake in 1Pai, an online auction website in China, to the leading e-commerce web site Alibaba.** The online auction website was co-established by Yahoo and Sina as a C2C platform at the beginning of 2004, and two companies had a 67 percent and a 33 percent stake respectively. After being absorbed by Alibaba.com, 1Pai will be combined with the C2C platform Taobao.com
- **Cisco Systems disclosed that China Education and Research Network (CERNET), the world's largest education network, announced its deployment of the Cisco CRS-1 Carrier Routing System to provide increased bandwidth and improved performance to more than 20 million Internet users in China.** Also, Shanghai Telecom has replaced numerous routers powering its point of presence "POP," or high-speed core Internet Protocol (IP) network, with the Cisco CRS-1. ChinaNet 163, China's largest IP network, has upgraded its supercore network nodes with the Cisco CRS-1. CERNET deployed the Cisco core network nodes in five cities: Beijing, Shanghai, Guangzhou, Wuhan and Nanjing. The CERNET network links more than 1,000 major universities and research institutions in China. As China's largest Internet service network, ChinaNet currently offers services countrywide with more than 18 million broadband subscribers and a total capacity of 4,000 Gbps, accounting for more than half of China's bandwidth for Internet services.

Media, Entertainment and Gaming

- **Observers cite several factors for the resurgence of China's domestic game industry.** One is that Chinese game developers have come up with more localized, personalized and customized games based on Chinese tradition rather than just serving as a sales conduit for foreign products. Another factor is that Chinese game vendors have been strict in management of their games, which results to a good market environment. Chinese game vendors have also expanded into international markets - Kingsoft has a presence in Malaysia, Singapore, and Vietnam, with concurrent online game players of 100,000. In Vietnam it has a greater than 80 percent share of the market. Beijing-based Gamlaxy International Inc is competing with local rivals in Japan and South Korea with its latest game that is based on Chinese classic stories. Objective Software, one of the leading game vendors in China, has expanded into Australia and Germany with its new games Tianjiao II and Hanghai Shiji. About 10 games have been exported by Chinese vendors. The government has also initiated a national online game publishing project, and is building four online game industry bases in Beijing, Shanghai, Guangdong and Sichuan.

- **Shanghai Interactive Television Co Ltd (SiTV), one of China's major digital cable pay-TV operators, announced it is launching in Beijing, a move that brings expands its presence to 81 cities.** SiTV began broadcasting 13 channels in partnership with Beijing Gehua CATV Network Co Ltd, the city's cable network operator, and Beijing All Media and Culture Group, companies that offer more than 40 channels in total. SiTV currently operates 16 digital cable pay-TV channels nationwide and has 2 million subscribers for the service. SiTV has already launched digital cable pay-TV services in Qingdao in collaboration with Qingdao Cable TV Network, which has the most cable TV subscribers in the country: 600,000. Three other digital TV services went into operation at the same time. These are: China Central Digital Television Media, a subsidiary of China Central Television; TopV, a joint venture involving five central and provincial broadcast stations; and China Home Cinema, a joint venture between state-owned CHC Home Cinema and China Film Group Corporation. Together, the four broadcasters offer 59 DTV channels to cable customers in the Shandong Province city. SiTV is a subsidiary of Shanghai Media Group, China's second-biggest media organization

Mobile/Wireless

- **Hurray! Holding Co. Ltd. disclosed that Beijing Enterprise has been issued a sanction by China Mobile for improper promotion of one of its WAP services.** Beijing Enterprise is one of Hurray's operating companies providing WAP services through China Mobile. The sanction will cause the downgrading of China Mobile's Beijing Enterprise WAP services. China Mobile has temporally suspended the approval of new service applications on all platforms by Beijing Enterprise and joint promotions with Beijing Enterprise. In a separate case, Hurray Solutions, one of Hurray's operating companies providing SMS services through China Unicom, has received a fine of approximately US$700,000 from China Unicom for delivering one of its SMS services, with the delivery not following the terms in its original service application approved by China Unicom. Hurray! provides wireless value-added services such as ring tones, picture downloads, community and entertainment services to mobile users in China.

Software

- **AsiaInfo Holdings, Inc., (AsiaInfo) a leading provider of telecom software solutions and security products and services in China, announced fourth quarter and full year results for the period ended December 31, 2005.** Its net revenue for the fourth quarter was US$16.5 million, a decrease of 20 percent year-over-year and an 18 percent decrease sequentially. The shortfall in net revenue for the quarter was the result of significantly lower than expected shipment volume for Lenovo. Gross revenues for the fourth quarter were US$19.8 million, representing a decrease of 31 percent year-over-year and a decrease of 15 percent sequentially. Gross margins declined to 24 percent in the fourth quarter compared to 39 percent in the year-ago period and 47 percent in the previous quarter. Revenue from software products and solutions for the fourth quarter was US$12.7 million, a decrease of 17 percent from the year-ago period and a decrease of 15 percent sequentially. Service revenue was US$3.7 million, a 24 percent decrease year- over-year and a 25 percent sequential decrease. Third-party hardware revenue in the quarter fell to US$3.5 million as the company continued its focus on high margin software products and solutions. AsiaInfo Holdings, Inc. is a leading provider of high-quality software and customer solutions to many of China's largest enterprises.

Hardware

- **TCL Corp, a Chinese television and mobile phone maker, said government shareholders vetoed a plan for the company to sell a 3.84 per cent stake to senior managers.** Instead, the sharese will be sold to an offshore-registered private investment company, Alliance Fortune International. The news followed a government announcement over the weekend that executives of leading state companies would be allowed to buy shares in their firms, although they could not take controlling stakes. Alliance Fortune, a British Virgin Islands-registered investment company, is expected to pay a total 204.5 million yuan (US$25.3 million). TCL, a partner with France's Thomson in the world's biggest TV set production venture, is based in the southern city of Huizhou.
- **Konica Minolta Business Technologies Inc. announced that it has established a wholly owned office equipment sales subsidiary in Shanghai.** The company's sales in China have been divided between two firms: one a joint venture in Wuhan and the other a wholly owned import and sales subsidiary in Shanghai. The move is aimed at centralizing the management of Konica Minolta Business Technologies and boosting its sales. The company has concentrated its resources on office equipment following the company's withdrawal from operations in cameras and film. The new firm has a capitalization of US$12 million dollars. It will sell multifunction copiers, high-speed printers and laser printers. It will also sell products such as toner and provide maintenance and repair services. Konica Minolta Business Technologies disclosed its aims to triple sales in China in fiscal 2008 to 30 billion yen (US$254.7 million) from the forecast for the current fiscal year.
- **The Lenovo Group announced a net profit for the fiscal third-quarter profit of more than US$47 million, a 12 percent increase from the same period a year earlier.** The China-based personal computer maker attributed the growth to its 2005 acquisition of IBM's PC unit and strong sales in China. It posted a 392 percent year-to-year increase in its third quarter revenue to more than US$4 billion. The company announced the closing on its US$1.2 billion purchase of IBM's Research Triangle Park-based PC unit in May and its securing a US$11 million in state and local incentives to build a new campus in Morrisville. Lenovo also said it plans to add 400 more employees.

Telecommunications

- **Revenues for the country's communication industry reached 637.3 billion yuan (US$79 billion) in 2005, an increase of 11.3 percent over 2004, according to the figures released by the Ministry of Information Industry of China.** The report said revenues for the telecommunications industry increased by 11.7 percent and revenues for the postal industry increased by 7.7 percent. The report also indicates that the number of fixed-line telephone users increased by 38.6 million and the number of mobile phone users increased by 58.6 million in 2005.

Ventures/Investments

- **Skyworth Digital Holdings announced a joint venture with rivals TCL Corp, Changhong Electric and Konka Group to research the LCD television business.** The joint venture is valued at around 10 million yuan (US$1.2 million). Skyworth said the joint venture would form a body to be called Shenzhen Julong Optical-Electronic, and is expected to get the support of Shenzhen City Shenchao Technology Investment, an investment arm under the Shenzhen municipal government. Each partner will initially take an equal stake in the venture. Currently, Skyworth is conducting research on LCD television at its headquarters in the Nanshan district science park in Shenzhen. In a separate report, Skyworth said it sold some 1 million TV sets last month, a figure that represents a 36 percent increase on November, but a 7.2 percent decline when compared with a year earlier.

Taiwan

Semiconductors

- **ProMOS Technologies, a memory chip maker, said it could provide more capacity to South Korea-based partner Hynix Semiconductor.** The Taiwanese company made a statement after Japan decided to levy a punitive tariff on Hynix. The company declined to be more specific about the possible increase in capacity of DRAM chips reserved for Hynix. Japan has decided to impose an additional punitive tariff of 27.2 per cent on chips made by Hynix because of allegations that its chips were being sold at unusually low prices.

Hong Kong

Information Technology

- **IT services vendor Atos Origin SA announced its winning of a seven-year, HK$ 253 million (US$33 million) contract with the Hong Kong government.** Under the deal, the Hong Kong division of the Paris, France-based firm will take over the management of 12 IT systems supporting several government departments, which include the Census and Statistics Department and the Education and Manpower Bureau. IBM Global Services reportedly made a rival bid for the contract. Atos Origin is aiming to become one of the first western IT services vendors to establish a major presence in China, following its secured deal to provide IT services for the Beijing Olympic Games in 2008. The new deal with Atos Origin is part of the Hong Kong government's Digital 21 Strategy aimed at improving the efficiency of government departments. Atos Origin said it expects the government to announce further outsourcing deals as part of the program.

Media, Entertainment and Gaming

- **Mindshare Hong Kong forecasts that overall growth in advertising spending in Hong Kong is slowing down to 5 percent this year.** Media research agency admanGo reported that local advertising revenue went up 11 percent to HK$18.3 billion (US$2.3 billion) last year. The report said the telecommunications sector are seen as spending less on marketing and advertising following the market consolidation that resulted to a decrease in number of mobile operators from six to five. Mobile operators such as Hutchison Telecom are also seen as spending less on marketing its 3G service. The banking sector, however, is forecast to up its advertising spending given strong growth this year. Experts state that marketing spending by banks is strongly correlated with their results. In 2005, the top three advertising spenders were banking and investment services, cosmetics and skin care, and toiletries and household goods. Ranked No. 8 and 9 were PCCW and mobile service provider SmarTone-Vodafone on the list of top spenders. Television remained the first choice of media advertising slot buyers.
- **PCCW announced the re-launching of its video-on-demand service, this time on its Now Broadband TV platform.** The move comes four years after the company closed down its predecessor, Interactive TV. The company said the new Now Select service would be bundled with PCCW's existing Now channels as a value-added service rather than as a stand-alone service like Interactive TV. Star Group's Star Chinese Movie channel will be the first to provide content to the Now Select service under the SCM Choice brand name. Under the Now Select umbrella, other Now channels such as Mei Ah Movie Channel and Hollywood movie channels will come with the video-on-demand service. The charging system will be the same as SCM Choice, which will be in the form of a monthly tariff for unlimited access to the archive. This monthly tariff will vary from channel to channel.

Singapore/Malaysia/Philippines/Indonesia

Internet

- **Casual online games are expected to become a hit in the Philippines, according to the top official of Netgames.** The announcement was made at the company's launching of the fantasy golf game Pangya. Pangya is a semi-fantasy golf game created by Korean game developer Hanbitsoft. The game also has its own economic system allowing purchase of clothes for the Pangya virtual characters. Several casual online games have entered the Philippines since 2003. Apart from Netgames' Pangya, local game publishers have introduced casual games that are aimed at "non-hardcore gamers", especially women. The first casual game, Oz World, was launched in 2003 by Level-Up!, the first and currently dominant game publisher of online games in the country. Level-Up! has also launched casual games like HyperRelay and the online basketball game Freestyle. Netgames is set to launch a community portal next month, dubbed Juanworld.ph. This community portal will feature all Netgames' online games.
- **Travelocity announced the acquisition of regional online travel booking firm ZUJI for US$34 million, a move aimed at strengthening its business in the Asia Pacific.** The deal sees Travelocity and its affiliates increasing their stake in ZUJI to full ownership. Singapore-based ZUJI is a joint venture between 15 leading Asia-Pacific airlines and Travelocity. It has Internet travel operations in Singapore, Hong Kong, Taiwan, South Korea, New Zealand and Australia. The deal was completed in Singapore.

Ventures/Investments

- **In what is considered the biggest foreign buyout in the Singapore, the Thai Prime Minister Thaksin and his family have sold their controlling stake in Shin Corp to investors led by Singapore's Temasek Holdings for US$1.8 billion.** The deal is expected to give Temasek, Singapore's state-run investment arm a strong position in the Thai mobile phone and communications market. Months of speculation over the deal had pushed up Shin Corp shares. Under the terms of the deal, the buyers would have to make a tender offer for all Shin shares and that of its 43 percent-owned unit, Advanced Info Service, Thailand's largest mobile phone operator. While some analysts questioned the transaction, the buyers were at least partially attracted by the positives in the Thai economy, which has demonstrated 4.5 percent growth last year following 6.2 percent growth in 2004.

United States/Canada

Internet

- **E-Trade Financial said its fourth-quarter profits increased by 44 percent to a new record.** For the quarter to December 31, E-Trade earned US$129.4 million, compared with US$89.8 million in the fourth quarter of 2004. The firm said its revenue posted a 19 percent growth to a record US$478.9 million from US$403.7 million a year ago. With the opening of its banking products this year E-Trade features checking, money market and credit card services alongside its brokerage. The firm is introducing a "loan optimizer", designed to encourage E-Trade customers to shift to the company's credit products as well. For the whole of last year, E-Trade earned record net income of US$430.4 million, compared to US$380.5 million for 2004. Its revenue registered a 13 percent increase to a record US$1.7 billion from US$1.5 billion in the previous year.

- **The U.S. public is rallying behind Internet search giant Google's position of saying no to government demands for the release of data on online searches.** The response was gleaned from a survey made by Ponemon Institute, which showed that about 56 percent of respondents believed Google should not hand over the information demanded by the Department of Justice. 90 percent of those surveyed were under the impression that their Internet searches were kept private. Google's position was praised as a stand on privacy, while at the same time some respondents questioned the fact that Google was keeping vast amounts of data on its users. Some online search engines have agreed to the government's demands for the release of data even though they had assured users that private user information was still safeguarded. Some 41 percent of the respondents said they would stop using Google if the firm gave in to the demand of the government, but about 58 percent said it is acceptable for the data to be divulged if it would be used to solve crimes.

Software

- **Microsoft announced a new rebate and free service offer for its small business accounting software.** The offering is aimed at drawing customers away from its perennial rival Intuit. Microsoft, through its business division, said the latest US$10 million marketing campaign was part of a larger effort by the world's biggest software maker to gain share in software and services tailored to small businesses. The company plans to offer a US$100 rebate for Microsoft Office Small Business Accounting 2006 and one year of free technical support to help customers move to digital book-keeping or shift from a rival product. Other competing firms like Salesforce.com and Google have set up competing businesses with services delivered over the Internet. The company is offering also Microsoft Office Live.

Media, Entertainment and Gaming

- **The Walt Disney Co. will buy Pixar Animation Studios in a deal valued at about US$7.4 billion.** The acquisition is viewed as restoring Disney's status in the animation industry. Under the deal, Disney gets a company with a history of animated hits - for almost a decade, Pixar has served as Disney's de facto animation unit.
- **AtomFilms announced the launching what could be considered to be the first of many new studios dedicated to the production of video for online audiences.** The Internet video pioneer is the operator behind a web site for pre-produced video shorts or clips from independent creators. With the creation of the AtomFilms Studio, the firm said it will fund select projects and will invest in the production of original content designed for Internet-based delivery. The studio has six projects under production already and some three dozen more planned for the studio's first year. Parent company Atom Entertainment disclosed its plan to make more investments in the initiative this year. The studio said budgets per project are expected to vary. Larger companies are making investments in the distribution video over the Internet. Yahoo, the largest Internet portal with a worldwide audience of more than 300 million, already has entered into partnerships to webcast content from other media
- **An ad-supported, 24-hour free music video channel for Internet-enabled phones, computers and other portable devices capable of playing video was deployed by SmartVideo, a firm that has licensed thousands of videos.** The company plans to add music video channels tailored to urban, dance, rock and other genres. Users of the service, which is available throughout North America, must download copy-protection and licensing software to their portable device to see the music videos. The technology is compatible with more than 100 handsets and was demonstrated to have worked with any wireless carrier. Major wireless carriers have been increasingly offering streaming TV shows, news and music videos. The concept of ad-supported music videos is not new for companies like Yahoo.

Europe

Software

- **SAP, the world's leading maker of business software, announced a 14 percent increase in its net profit last year, which it ascribed to a strong growth in North America.** SAP said its net profit went up to 1.5 billion euros (US$1.8 billion), a result that is in line with analysts' forecasts. Its operating profit made a 16 percent rise to 2.3 billion euros (US$2.7 billion). SAP said its strong growth was in software license revenues in the North American region where sales grew by 24 percent to 3 billion euros (US$3.6 billion). The German firm announced that gains were generated in the U.S. even with the competition from U.S.-based rival Oracle. For this year, the company forecast a 15 to 17 percent increase in license sales and a further increase in net profit. Investors see the sales pertaining licenses as a main index of SAP's overall performance.

Semiconductors

- **STMicroelectronics announced a 2 percent decline in its fourth quarter profit, with earnings of US$183 million from US$187 million last year.** The decline was reported to be slight as the company reported revenue growth due to sales of chips for wireless applications. For the quarter, the chip maker said its revenue was US$2.3 billion, a 3 percent increase from last year. Analysts had predicted the company to earn US$2.3 billion in revenue. Revenue for the full year was US$8.8 billion, up from US$8.7 billion last year. SAP said its net income for the year decreased to US$266 million from US$601 million last year. SAP forecasts a 1 to 7 percent sequential decrease in its sales. The company places its capital expenditures for this year at around US$1.8 billion. Based in Geneva, STMicroelectronics is a leading supplier of analogue integrated circuits.

Mobile/Wireless

- **Vodafone Group announced a 4.9 percent growth in its mobile-phone customers in the final quarter of last year, a growth ascribed to acquisitions and growth outside Western Europe.** The world's largest mobile-phone operator announced an additional 8.3 million subscribers to reach a total of 179.3 million at the end of last year. Vodafone, however, said that as its main western European markets mature, revenue growth is expected to slow down for a third year. The company is acquiring firms in Africa, Eastern Europe and Asia and is betting on phones that and play videos. The company has already spent some US$8.5 billion on acquisitions from South Africa to Eastern Europe and India.

Internet

- **According to Britain's Financial Services Authority (FSA), banks have to help consumers protect themselves against online fraud.** In making this statement, FSA made references to a study it released showing the weak confidence of the consumer in Internet banking. The FSA said half of Internet banking users it surveyed were "extremely" or "very" concerned about the possible risks of fraud in banking online. It also reported that more than a quarter of people who installed security software to protect themselves against fraud did not know when they last updated the software or did not update it frequently. The report underscored the need for consumers to develop more knowledge about the importance of security when using online banking. APACS, the British trade association for payment institutions, found that 14.5 million pounds (US$25.7 million) were lost through Internet banking fraud from January to June last year. In 2004 of the same period, losses to Internet banking fraud amounted to 4 million pounds (US$7.1 million). About 95 percent of the respondents indicated that banks are responsible for maintaining security for customers, while about 45 percent stated that banks should take full responsibility. If banks give consumers the responsibility for protecting themselves against losses incurred from Internet banking fraud, about 77 percent of those who participated in the survey said they would desist from using the online service.

Telecommunications

- **Siemens AG, the German technology company said TDC Switzerland AG has commissioned the company to replace and expand TDC's wide area network.** The installation will enable the telecom provider to offer customers the latest services with maximum scalability. The contract will run for three years. The Swiss telecom provider's existing wide area network dates back to the early days in 1997. However, requirements with regard to performance and cost-effectiveness have grown in the past years so that it has become necessary to switch to a solution provided by the latest generation of networks.
- **British Telecom (BT) announced that it has signed a two-year contract to manage Microsoft's global OneCall call center routing initiative.** Under the agreement, BT will design, build, deploy and manage a solution to unify and manage Microsofts contact centers throughout the world into a single network-based contact center environment. The contract calls for an 18-month deployment schedule across 77 Microsoft call centers around the world, with potential to expand to more than a hundred centers globally. The OneCall solution will enable Microsofts call centers world-wide to be centrally managed for call routing.