

IRG WMR



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

Week of 29 January - 4 February 2006

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Weekly Highlights

International

Mobile/Wireless

- **The Semiconductor Industry Association announced that global microchip sales registered a 6.8 percent rise in 2005 to a record US\$227.5 billion, which the group attributed to strong demand for consumer electronics and continued strength in personal computers sales.** The personal computer segment, which constitutes a large demand for chips, had shipments rising by 17 percent in the fourth quarter. For December last year, global semiconductor revenue was US\$19.9 billion, up by 8.6 percent over US\$18.3 billion in December of 2004. For the whole of 2004, the association reported sales of US\$213 billion. The group said it expected chip industry revenue to climb 7.9 percent to US\$245 billion this year due to factors such as a healthy economic climate, manageable excess inventories, and production capacity that remains aligned with anticipated demand. Analysts also noted that the American chip industry should be cautious of the continued decline of its share of the world's chip-making capacity for advance chips.
- **According to iSuppli Corp., worldwide shipments of mobile phones hit a record 242 million units in the fourth quarter, surpassing the previous record of 200 million units registered during the 2004 Christmas quarter.** In 2005, 813 million units were shipped, representing a 14 percent rise from 713 million made in 2004. Nokia led all manufacturers with a 32 percent share of the market; followed by Motorola at 18 percent; with Samsung Electronics, LG Electronics and Sony Ericsson, respectively, completed the top five. Siemens' mobile phone unit, which was acquired last year by BenQ, went from No. 4 in 2004 with a 6.9 percent share to No. 6 in 2005 with 4.7 percent share of the market. Observers attribute Nokia's performance from its offering of low-cost phones and introduction of cutting-edge models. Pushing Motorola to No. 2 was its thin RAZR phone, an analyst stated.

Japan

Internet

- **Online advertising agency Opt Inc. announced it is setting up a firm specializing in ads placed in e-mail newsletters, jointly with Four-Dimensional Group Inc., an Osaka systems integrator.** The joint venture, named Globe Communication Inc., will arrange so that an e-mail newsletter issued to customers by one company will carry advertisements for other firms. Companies that offer ad space will receive a fee based on the number of newsletters distributed and other factors. The new company is capitalized at 10 million yen (US\$84,000), and is 49-percent owned by Opt and 51 percent by Four-Dimensional Group. It will aim for annual sales of 250 million yen (US\$2.1 million) in the year through December.
- **Drecom Co., a Kyoto-based blog system developer, announced its plans to go public on the Tokyo Stock Exchange's Mothers market for start-up companies.** Drecom's main line of service is developing blog systems and selling software to corporate customers. The company also sells blog-based advertisement distribution services to a wide range of users. Its blog systems include "Yaplog" developed for GMO Internet Inc. and "Oricon Blog" for Oricon Inc. With companies increasingly using blogs as an in-house communication tool, Drecom's systems have been sold to Recruit Co. and

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Itochu Corp., among others. Drecom also supplies low-priced systems that enable users to easily design and use homepages. Drecom posted group sales of 260 million yen (US\$2.1 million) for the year through September 2005, with its blog business contributing more than 90 percent of the total. In addition to blog systems, Drecom is also expanding its advertisement distribution service that combines search engines and blogs. Of the IPO proceeds, Drecom plans to use about 1 billion yen (US\$8.4 million) to study ways to increase the speed and accuracy of information retrieval in its ad business. The firm is also considering the acquisition of other companies that can help Drecom's operations. Daiwa Securities SMBC Co. is the lead manager of the IPO.

- **Searchina Co., which operates a web site dedicated to information on China, and MyVoice Communications Inc., an online survey firm, have jointly launched a business that takes comparative surveys of consumer trends in Japan and China.** The two firms said they would conduct the surveys by having Searchina send survey forms to about 160,000 monitors in China and MyVoice coordinating the survey with 190,000 domestic monitors. The companies are pooling their combined expertise on China and Japan to meet the growing demand for surveys comparing and contrasting the two countries in a bid to increase earnings by developing a business focusing on the differences between Japan and other parts of Asia. In addition to handling surveys on a subcontracted basis from companies, the business will also sell survey results and offer consulting services. Analysts are expecting the business to generate 500 million yen (US\$4.2 million) in sales in the year ending March 2009.

Mobile/Wireless

- **With the aim of slashing costs and preparing for the entrance of foreign rivals into the Japanese market, Japanese mobile phone makers have been transferring part of the R&D and production of their FOMA handsets to China.** FOMA, or Freedom of Mobile Multimedia Access, is the brand name for the third-generation service offered by NTT DoCoMo Inc. NEC Corp. announced plans to release a low-priced model developed and produced in China, and assembled by major U.S. contract manufacturer Solectron Corp. Mitsubishi Electric Corp. has moved part of the production of its FOMA Music Porter II handsets to its Guangzhou plant and the plant now produces 100,000 units a month. Panasonic Mobile Communications Co., the mobile phone arm of Matsushita Electric Industrial Co., said it is considering the production of FOMA handsets at its Beijing plant.
- **NTT DoCoMo Inc. announced a 31.7 percent decline in its group net profit in the April-December period.** The firm posted a group net profit of 516.4 billion yen (US\$4.3 billion) in the nine months ended Dec. 31, down from 756.5 billion yen (US\$6.3 billion) a year earlier. Its group revenue went down by 1.7 percent to 3.5 trillion yen (US\$29.3 billion) in the nine months period from 3.6 trillion yen (US\$30.2 billion) as revenues from mobile voice services as well as its personal handyphone system, or PHS business, declined. DoCoMo said in a separate release that it will terminate the unprofitable PHS business in the third quarter of fiscal 2007; the business posted an operating loss of Y3.1 billion (US\$26 million) for the nine-month period. It expects a group net profit of 604 billion yen (US\$5 billion) on group revenue of Y4.7 trillion yen (US\$39.4 billion).
- **Softbank Corp. announced plans to launch a nationwide video broadcasting service for cellular phones.** Utilizing handsets with built-in tuners needed to watch the programs, the service is expected to air such programs as dramas, sports and news on as many as 16 channels. Softbank plans to offer both free programming with commercials and paid content. The company also plans to combine the broadcasts and handsets' Internet access capabilities to offer interactive shows. The service will compete against recently announced services such as the one to be offered by Japan Broadcasting

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Corp., known as NHK, and commercial television stations, who have announce plans to launch terrestrial digital video broadcasts for cellular phones in April.

Media, Entertainment and Gaming

- **Cave Co., a firm that distributes content to cellular phones, announced it would be forming a joint venture with Tamiya Inc., a major maker of plastic models, in a bid to start a business focusing on toy four-wheel-drive (4WD) cars.** The formed entity is going to be capitalized at 30 million yen (US\$252,000). The 50/50 owned venture will publish cartoon magazines featuring such vehicles as well as launch an online game featuring the cars for elementary and junior high school students. In the online game to be set up, participants will be able to exchange parts of their virtual vehicles to improve performance and modify their appearance, and compete against one another in races. The venture is targeting annual sales of over 1 billion yen (US\$8.3 million) in the fiscal year through May 2007. In the 1990s, the toy 4WD vehicles became popular among elementary and junior high school students accumulating sales totaling 170 million units as of last August.
- **Konami Corp. disclosed plans to strengthen its digital entertainment business beginning next month.** The move includes adopting a holding company structure in addition to establishing a subsidiary to handle all of the group digital entertainment operations, including arcade games, home video games and online game services. Konami Digital Entertainment will operate under the holding company along with other group firms, including overseas subsidiaries and Konami Sports & Life, a unit that will be set up soon. Konami Digital Enterprises will focus on online services, including video games. The Konami group said it intends to boost its development of home video games that will respond to the needs of the Japanese, North American and other consumers.
- **An official of TV Asahi Corp. implied that the firm might write down the value of its shareholdings in Asahi Satellite Broadcasting Ltd. (BS Asahi) in its accounts for the year through March 31.** The official said the firm will book a write-down if the money-losing digital broadcasting unit of the TV Asahi group is unlikely to achieve its earnings target, a move that would push TV Asahi to substantially cut its projected parent-only net profit from the current forecast of 7.3 billion yen (US\$61.3 million). The company has routinely reflected such losses in its consolidated financial statements in the past.

Hardware

- **Domestic personal computer shipments posted a growth for the third consecutive year in 2005 to 14.1 million units, a figure representing a 7.4 percent rise, according to Gartner Japan Ltd.** The increase is mainly attributed to the economic recovery and falling PC prices. Shipments for the consumer market, which account for more than 40 percent of all PC sales in Japan, increased for the first time in five years, rising by 9.7 percent. The total value of all shipments, however, continued to decline by about 2 percent to around 1.7 trillion yen (US\$14.2 billion). By market share, NEC Corp. remained at the top, with its market share going up by 0.7 percent to 20.6 percent while Fujitsu Ltd. came in second with its market share going down 1.5 points to 17.5 percent. Dell Inc.'s market share registered a 1.2 points rise to 11.4 percent while Toshiba Corp. ranked fourth with a market share of 9.2 percent. Sony Corp.'s market share diminished by 0.4 point to 6.2 percent even as it overtook Lenovo Japan Ltd., which was operating as IBM Japan Ltd. in 2004. Lenovo Japan was in the fifth position.
- **Polatechno Co., a Japanese maker of polarizers and retardation films used in liquid crystal displays and other precision products, announced that it has received approval to list on the JASDAQ Securities Exchange.** The company said it would offer 23,100 newly issued shares to the

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public in its IPO. Nomura Securities, the lead underwriter of the offer, also has a green shoe option, allowing it to offer an additional 1,150 shares in the event of exceptional demand. Polatechno will offer all the shares through the book-building method. The company said it expects to net 4.1 billion yen (US\$34.4 million) from the IPO, and plans to use the IPO proceeds for future capital spending. For the current fiscal year through March 31, the company forecasts a group pretax profit of 4.4 billion yen (US\$36.9 million), net profit of 2.9 billion yen (US\$24.3 million), and sales of 21.8 billion yen (US\$183.2 million). Last fiscal year, the company posted a group pretax profit of 3.4 billion yen (US\$28.5 million), net profit of 2.1 billion yen (US\$17.6 million), and sales of 21.3 billion yen (US\$179 million).

- **Hitachi disclosed a 79 percent decline in its net profit in the December quarter to 5.4 billion yen (US\$45.4 million) in the three months to December.** The company attributed the decline to one-off gains recorded on the initial public offering of affiliate Elpida Memory in November 2004. The firm said its pretax profit went down by 16 percent in the third quarter to 59.6 billion yen (US\$501.1 million), despite revenue growth of 6 percent to 2.2 trillion yen (US\$18.4 billion). Operating profit from the mainstay information and telecommunications systems division decreased by 75 percent as its hard-disc drives (HDDs) business registered a loss of 7.4 billion yen (US\$62.2 million). The company revealed losses in personal computers and consumer digital products such as plasma display panel (PDP) televisions. The company is working to increase its profitability by outsourcing HDD parts to an undisclosed supplier and also announced the streamlining of its research and development division. It projects net profit of 20 billion yen (US\$168 billion) and pretax profit of 220 billion yen (US\$1.8 billion) on sales of 9.2 trillion yen (US\$77.3 billion).
- **With increased sales of plasma televisions and other electronic goods, Matsushita Electric Industrial announced a 39 percent surge in third-quarter profits from a year earlier to 49.2 billion yen (US\$413.6 million).** The company said it posted a 4-percent revenue growth to a record high of 2.4 trillion yen (US\$20.1 billion) in the quarter. For the three months, the company said its operating profit increased by 47 percent to 129.4 billion yen (US\$1.1 billion) and pretax profit climbed 52 percent to 126 billion (US\$1 billion). Its favorable performance has pushed the company to revise upward its full-year to March earnings forecasts – the company now forecasts net profit of 130 billion yen (US\$1.1 billion), up from 110 billion (US\$924.8 million) previously, on revenue of 8.8 trillion yen (US\$739.8 billion), up from 8.7 trillion yen (US\$731.4 billion). The group upgraded its full-year outlook and announced the sale of a stake in a Universal group holding company to Vivendi Universal.
- **Attributed mainly to increased huge sales of LCD TVs Sharp reported a 26 percent surge in its profit to 26.3 billion yen (US\$221.1 million) during the fiscal third quarter, up from 20.9 billion yen (US\$175.7 million) in the same period a year earlier.** The company said its sales for the quarter went up by 12.5 per cent to 731.7 billion yen (US\$6.1 billion) from 650.6 billion yen (US\$5.4 billion). Sharp maintained its forecast for the full fiscal year ending in March an 87 billion yen (US\$731.4 million) profit, a rise of 3 percent from fiscal 2004, on 2.7 trillion yen sales (US\$22.7 billion, a rise of 8 percent from the previous year. Sharp said together with its LCD TVs, mobile phone sales also posted a growth, which offset declining sales in flash memory chips and other electronic parts.
- **Fuji Photo Film, a manufacturer of digital cameras, said it would eliminate 5,000 jobs, a move that comes with its transfer of some production to China from Japan.** By way of this reorganization, the firm expects a 77-percent reduction in its full-year profit. Fuji expects its net income to decline 20 billion yen (US\$168.1 million) in the year to March, compared with its previous 84.5 billion yen (US\$710.4 million) forecast. For the financial third quarter, its net profit posted a 30 percent

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growth to 27.1 billion yen (US\$227.8 million) on a 6.5 percent gain in sales of 681.7 billion yen (US\$5.7 billion).

Software

- **Sorun Corp. announced that it has developed server software that allows the centralized home network management of consumer electronics and equipment operating on different formats, including power line communication and LAN.** The firm said the product makes it possible to control house equipment, such as lights, air conditioners, and electric shutters via a mobile phone as well as by a television remote control. The software is also equipped with functions related to safety and security. The software is based on a product developed by German firm, ProSyst Software GmbH. System Warehouse Co., a subsidiary of Sorun. Sorun plans to sell the software to housing developers and others.
- **Japanese computer systems developer NTT Data Corp. disclosed that higher costs negatively affected profits for the nine months to December, while its revenues improved from the year-earlier period.** The Tokyo-based unit of telecom giant Nippon Telegraph & Telephone Corp. said its group net profit posted a 4.2 percent decline to 16.2 billion yen (US\$136.1 million) from 16.9 billion yen (US\$142million) a year earlier. The firm said its group operating profit registered a 5.3 decline to 28.9 billion yen (US\$242.8 million) from 30.5 billion yen (US\$256.2 million). Its group sales went up by 4.8 percent to 599.3 billion yen (US\$5 billion) from 571.7 billion yen (US\$4.8 billion). The company said it looks to a group net profit of 27 billion yen (US\$226.7 million), a group pretax profit of 41 billion yen (US\$344.3 million) and group revenue of 880 billion yen (US\$7.3 billion). The figures are based on Japanese accounting standards.
- **ND Software Co., a Japanese software developer, announced that it has received approval to list on the JASDAQ Securities Exchange.** The company said it would offer 431,500 shares to the public in its initial public offering, of which 250,000 are newly issued shares. Mitsubishi UFJ Securities is the lead underwriter of the offering and the company will offer all the shares through the book-building method. The company expects to net 855.9 million yen (US\$7.1 million) from the IPO, of which the firm plans to use 100 million yen (US\$840,000) for corporate bond redemption, 78 million yen (US\$656,000) for loan repayment, 59 million yen (US\$496,000) for research and development expense and the remaining money for future working capital. For the current fiscal year through March, the company forecasts a group pretax profit of 636 million yen (US\$5.3 million), net profit of 330 million yen (US\$2.7 million), revenue of 3.2 billion yen (US\$27 million). Last fiscal year, the company posted a group pretax profit of 341 million yen (US\$2.8 million), net profit of 185 million yen (US\$1.5 million), and revenue of 2.1 billion yen (US\$17.6 million).

Telecommunications

- **Nippon Telegraph & Telephone Corp. said its net profit fell to 477.7 billion yen (US\$4 billion) from 698.4 billion yen (US\$5.8 billion) a year earlier.** The company said its group revenue posted a 0.9 percent decline to 7.9 trillion yen (US\$66.4 billion). Its group operating profit decreased by 10 percent to 1 trillion yen (US\$8.4 billion) from 1.1 trillion yen (US\$9.2 billion). NTT's revenue from fixed-line voice services diminished by 6.1 percent to 2.5 trillion yen (US\$21 billion), while its revenue from Internet-related services, including the packet data communication for mobile phones, posted a 9.6 percent growth to 1.4 trillion yen (US\$11.7 billion). The company said the number of subscribers to NTT's optical fiber and asymmetric digital subscriber line, or ADSL, Internet access services increased to 8.4 million from 7.9 million three months earlier. NTT expects the number of subscribers to further expand to 9.2 million by the end of March. Subscribers to NTT's optical IP phone service more than

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doubled to around 398,000 from 140,000 three months earlier. Its financial results are based on U.S. Generally-Accepted Accounting Principles.

Korea

Internet

- **Dacom Corp. announced that its 2005 earnings hit a record high as a result of the strong performance of its Internet business, with fourth-quarter net profit posting a more than 150 percent increase.** The country's No. 2 fixed-line carrier said its net profit reached 64.6 billion won (US\$667 million) last year, up 66.5 percent from a year ago. Its revenue went up 6.1 percent to 1.1 trillion won (US\$9.2 billion), with operating income climbing 2.2 percent to 142.2 billion won (US\$1.1 billion). In the fourth quarter, its net profit hit 13.8 billion won (US\$116 million), up 150.1 percent from the previous quarter. The company said its sales climbed 9.9 percent to 304.7 billion won (US\$2.5 billion) from a year earlier, with operating profit climbing 31 percent to 38.2 billion won (US\$321.1 million). Dacom said it aims to post 1.2 trillion won (US\$10 billion) in sales for this year, up 7.6 percent from the previous year. Dacom said it also targets an increase in its subscription base, from 475,000 customers as of the end of December to more than 1 million this year.
- **SK Telecom, KTF and LG Telecom disclosed plans to reform the billing system with a pre-notification system for users to estimate the charge for wireless Internet.** The three companies plan to create a free notification page that informs the billing time and billing system before connection and to announce detailed information about charges for using information, data size and a call charge before download. SK Telecom and KTF disclosed that they are planning to apply the new system from the second half of this year after completing system planning and development. LG Telecom is set to apply it next year after developing a packet counter for analyzing data call charge.
- **The country's information minister announced once more that he would push for the immediate launch of television services over the Internet.** The launch of Internet Protocol Television (IPTV) has been delayed as the ministry and local broadcasters pursued an agreement over how to regulate the new service. The conflict is that the ministry is pushing for IPTV to be regarded as a new medium, while local broadcasters argue that it should be subject to existing broadcasting laws.

Mobile/Wireless

- **The Bank of Korea, the country's central bank, revealed that the number of daily banking transactions conducted through mobile phones more than doubled in 2005 from a year earlier, ascribing the growth to a rise in the number of handheld devices made exclusively for mobile banking.** The report said the number of mobile banking transactions climbed to 287,000 on a daily average, up 104.4 percent from a year earlier. South Korea's mobile phone service providers such as SK Telecom Co., KTF Co. and LG Telecom Ltd. have been installing the integrated circuit chips into handheld devices to provide faster mobile banking services. The number of customers registered for the services registered a 108.3 percent rise to 1.9 million as of the end of 2005.
- **KTF, South Korea's second-largest mobile operator, announced a gain of 70,690 customers last month, bringing its total subscriber base to 12.3 million.** The growth was mainly driven by sales of new handsets that support digital multimedia broadcasting (DMB) services. The country's largest mobile operator, SK Telecom, achieved a net addition of 60,608 customers in January, bringing its subscriber base to 19.5 million. LG Telecom saw an increase in its subscriber base to 6.5 million by

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adding 41,920 subscribers. The number of mobile subscribers in South Korea reached 38.5 million by the end of January, a figure that represents a penetration level of approximately 80 percent.

Media, Entertainment and Gaming

- **A government source said that South Korea and India have agreed to work together in the mobile broadcasting sector, a move that would allow Seoul to export its digital multimedia broadcasting (DMB) technology.** The Ministry of Information and Communication (MIC) said that it signed a deal with the Telecommunication Regulatory Authority of India (TRAI) and India's largest company Tata Group to cooperate in communication-broadcasting convergence. The two governments agreed to launch trial T-DMB service in Mumbai by mid-February, with the plan to begin working-level discussions on the signing of a memorandum of understanding. The trial is expected to draw key officials from the TRAI, Mumbai Police Agency, Tata Group, Star TV India, Zee TV and Bharati-Airtel on the Indian side. On the South Korea's side, the firms and institutions participating include the Electronics and Telecommunications Research Institute, Samsung Electronics, LG Electronics, Perstel Inc., Pixtree Technologies Inc., OnTimetek Inc. and CJ Media. MIC also recently agreed to cooperate with the World DAB Forum, a London-based international organization for promoting digital broadcasting, to move into the Indian market.
- **Neowiz, a Korean online game company, announced it is setting up a partnership with Electronic Arts, the world's largest computer and video game maker, to develop and publish an online version of "FIFA Soccer", one of the most popular computer and video games in the world.** This marks the first time a major U.S. game company has cooperated with a Korean game company for developing its product. Electronic Arts is the world's largest game developer and publisher with US\$3.1 billion in revenue last year, even as the U.S. company is still viewed as a relative novice in the online gaming field. South Korea remains strong in the game industry, with its exports of online games estimated to be around US\$340 million last year according to the Korea Game Development and Promotion Institute.

Hardware

- **Samsung Electronics announced the introduction of a CPO (Chief Patent Officer) system in a bid to reinforce its patent management.** The CPO will supervise the whole process of patent management from strategy planning and execution to professional training and patent quality improvement. The newly empowered executive will also serve to coordinate different views from related divisions and deal with external problems. Samsung disclosed that it aims to become one of the top three in the number of patents registered by 2007. The company also disclosed its goal to increase the number of patent experts from current 250 to 450 by 2010.

Telecommunications

- **In what is considered a good start, terrestrial DMB phones launched by LG Telecom and KTF in January hit 18,000 in the number of units sold.** KTF sold over 10,000 terrestrial DMB phones last month while LG Telecom sold over 8,000 units. With SK Telecom launching terrestrial DMB in March, mobile operators expect that sales will be close to 1 million given their present growth rate. Analysts note that the performance of terrestrial DMB is predicted to negatively affect TU Media, the satellite DMB operator. The number of satellite DMB service users is currently about 400,000.

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China

Media, Entertainment and Gaming

- **China Media Group Corp.**, an advertising and media company in China, has announced that it will establish a business unit to focus solely on hospital advertising within China. According to the company, it intends to secure advertising from both domestic and international healthcare companies on behalf of Beijing Ren Ren and Changsha Central Hospital.
- **Focus Media Holding Ltd.** sold 1.5 million ADSs at \$43.50 per ADS, with another 5.3 million ADSs sold by shareholders. Goldman Sachs was the sole global coordinator and was joint bookrunner with Credit Suisse Securities. Citigroup Global Markets Inc. and Morgan Stanley & Co. International Ltd. were co-lead managers with Piper Jaffray & Co as a co-manager of the offering.

Mobile/Wireless

- **China Wireless Communications Inc.** announced that it has signed a contract with **Tianjin Bo-hai Securities Co. Ltd.** **Tianjin Create Co.**, a systems integration company and subsidiary of **China Wireless Communications**, to provide computing solutions to **Bo-hai Securities Co. Ltd.** Under the agreement, **Tianjin Create Co.** will also provide hardware, software, and technical support. **Bo-hai's** securities operations consist of four affiliate institutions, which manage securities for 30 major investment companies.
- **The country's Ministry of Information Industry (MII)** released a forecast saying that **China's wireless telephone subscribers would reach 440 million this year.** The ministry said it expects 48 million additional subscribers, which implies that about one-third of China's population will have access to a cell phone, and that 2006 revenues are expected to climb 10 percent to 700 billion yuan (US\$86.8 billion). In 2005, more than 58 million additional Chinese subscribed to wireless services.
- **Qualcomm and China's Yulong Computer Technology**, a subsidiary of **China Wireless Technologies**, announced the signing of a worldwide subscriber license agreement. Under the terms of the agreement, Qualcomm gives Yulong a worldwide license under its CDMA patent portfolio to develop, manufacture and sell subscriber units implementing any 3G CDMA standard. The royalties payable by Yulong are at Qualcomm's standard rates and are the same irrespective of the CDMA standard implemented by the subscriber unit. Analysts are saying the license agreement will enable China Wireless, through its Yulong subsidiary, to develop and market competitive 3G products, which, in turn, would enable it to respond to the need for enhanced wireless devices.
- **The Chinese Consumers Association** disclosed that mobile phone-related problems have continued to be among the fastest-growing categories of consumer complaints for a second successive year on the mainland. The group said that mobile phone complaints, numbering some 77,945 last year, accounted for 11 percent of all complaints nationwide. The figure increased by 11.1 percent compared to the 2004 figures. The complaints about quality made up 84 percent of mobile phone complaints, while other problems included auto shut down function, screen problems, broken handsets and battery issues. Other complaints documented had to do with after-sales repair services.

Software

- **Navitone Technologies, Inc.** announced a distribution agreement for its **MRM and MCRM software and wireless service with Shanghai Unicom**, one of the major regional Unicom of **China Unicom**. Shanghai Unicom is one of the largest regional Unicom in China and provides a market of over 17,000 potential enterprise customers for Navitone. As a part of the distribution

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agreement, Shanghai Unicom will brand the MRM product with the "Unicom" label, a move that observers note further validates the product as an accepted tool for the Enterprise Market in China's largest and most advanced city. Navitone Technologies provides proprietary MRM (Mobile Resource Management) software to the Enterprise and Consumer market. With China Unicom as partner, Navitone's primary market is the whole of China.

Hardware

- **Records from Suzhou customs statistics showed that the export value of notebook PCs in the Suzhou city of Jiangsu province reached US\$10.9 billion in 2005, a figure representing a 64.9 percent growth over 2004.** The documents show that as many as 15.9 million notebook PCs were exported to outbound markets, which is a 70.1 percent rise over 2004. Within that figure, there were 7.3 million units exported to European countries and 4.8 million units exported to the U.S., all contributing to 75.9 percent of the total notebook PCs Suzhou exported.
- **Official records released by the country's Ministry of Commerce showed China's export computer-related products reaching US\$104.8 billion in 2005.** The record marks the first time that exports in this industry segment have gone beyond US\$100 billion. Within the figure, the export of laptops, LCD (Liquid Crystal Displayer) screens, IC (integrate circuit) and hard disk drivers hit US\$29.9 billion, US\$14.5 billion, US\$14 billion and US\$4.1 billion respectively. Each of these products' export showed growth by 43.9 percent, 22.6 percent, 30.9 percent and 51.6 percent respectively. In 2005, the export of computer-related products formed 13.7 percent of the total export in China's foreign trade, a figure that shows a 7.9 percent rise from 2001.

Information Technology

- **PacificNet Inc., a CRM vendor as well as merchant of call center, Interactive Voice Response services and Value-Added Services in China, announced that it has completed the acquisition of a majority interest in Guangzhou Wanrong Information Technology Co., Ltd., a value-added telecom service provider in China.** Earlier, PacificNet, through its subsidiary Guangzhou 3G, announced entering a partnership with Chinese Entertainment International to launch the iPACT Mobile Video Services. According to industry research, China's mobile phone video subscribers are expected to reach 66 million by 2008 with a market size valued at about US\$1.4 million, and 195 million subscribers by 2010, with a market size given a value of US\$5.9 million. Under the purchase agreement, Guangzhou Wanrong has made a guarantee to generate US\$500,000 in annual net income. In the event of a shortfall, the purchase price will be adjusted accordingly. PacificNet will also invest approximately US\$370,000 in Guangzhou Wanrong for general corporate purposes. The purchase price is payable upon achievement of certain quarterly earn-out targets based on net income.

Taiwan

Information Technology

- **An official of BenQ Asia-Pacific Corp said a strong foothold in Singapore and Malaysia is crucial to making BenQ an even more established information and communications technology (ICT) brand in the region.** The official noted that Taiwan, Australia and the Middle East were strong areas for BenQ as the firm concentrated on those areas last year. This year, the company said it would focus on Singapore and Malaysia. The official said BenQ aims to be the top player in Malaysia in projectors as well as a top three player in LCD monitors in Singapore in the next three years. BenQ said it aims to be one of the top five mobile phone vendors in Singapore with a 10

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percent market share by the end of 2007. Its Malaysian business currently contributes less than 10 percent of BenQ's Asian revenue. The official said the company has set its goal of raising combined revenue contribution from Malaysia and Singapore to 40 percent within the next three years.

Hong Kong

Ventures/Investments

- **Golden Meditech**, which counts as its principal activities the development and manufacture of medical devices as well as research and development of Chinese herbal medicines, announced that it is going to pay **HK\$442 million (US\$56.9 million)** for a **50-percent stake in a mainland distributor of internationally branded mobile phones**. The Hong Kong-based firm intends to use its sales network for the distribution of its healthcare products. In a stock exchange announcement, the company said that its wholly-owned unit, China Bright Group, had agreed to buy the controlling stake in Beijing Pypo from independent shareholder Beijing Zhi Yang Dong Fang Investment Consulting in an all-cash deal. Pypo has developed a logistics and information system to monitor the movement of mobile phones. The plan is awaiting shareholder approval at an extraordinary general meeting. Beijing At the end of last year, Golden Meditech had cash and bank deposits of HK\$307.8 million (US\$39.6 million).

Media, Entertainment and Gaming

- **Television Broadcasts (TVB)** announced its plan for the launching of its digital broadcasting service next year. The media group said the company and Asia Television (ATV) would be initiating their digitized services with 14 hours of high-resolution television programming per day by the end of next year. Under the agreement, each company is to invest HK\$400 million (US\$51.5 million) for the production of digital programs. TVB will work with ATV on building the digital network with the two stations setting up six transmitters in Hong Kong with about 20 sub-stations. In a separate report, TVB revealed plans of enhancing the local content in its free-to-air station in order to lure more sponsors. Hong Kong's largest free-to-air television broadcaster forecasts advertising revenue to rise by a mere 3 percent to 5 percent this year, compared with 9.2 percent growth in the second half of last year. Under the product sponsorship deals, suppliers would have their brands displayed prominently in the programs, which the media group expects to form a new revenue stream for the broadcaster.

Singapore/Malaysia/Philippines/Indonesia

Mobile/Wireless

- **NTT DoCoMo Inc.** announced its acquisition of a **7 percent interest in Philippine Long Distance Telephone Co. (PLDT)** from **NTT Communications Corp.** for **52.1 billion yen. (US\$437.1 million)**. NTT Communications now owns a 14 percent interest in PLDT, the leading telecommunications firm in the Philippines. The Japanese company said it intends to cooperate with PLDT in the fields of 3G cellular phone and international roaming services. It also aims to provide its proprietary i-mode cell phone Internet access technology to PLDT. The top Japanese cellular provider estimates that the PLDT share purchase will bring it 6 billion to 7 billion yen (US\$50.4-58.8 million) a year in the form of dividends and other revenues.
- **The Indonesian mobile unit of Hutchison Telecommunications International Ltd's (HTIL)** disclosed that it will no longer be one of only two operators licensed to run both 2G and 3G

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services as the government has decided to increase the number of 3G licenses. The statement was made following the announcement by the Indonesian government that it is likely to award 3G spectrum to another two local operators. Analysts explained that while Cyber Access Communications would first roll out 2G services in Indonesia, there is a possibility that the 60 percent-owned unit of HTIL would not be in pace with the mobile market's peak subscriber growth because of its slower than expected 2G network roll-out. The announcement has spawned great interest from seven firms that include operators such as Telkomsel, Indosat and Excelcomindo. The only other operator with a combined 2G and 3G nationwide license is Natrindo Telepon Selular, which is 51 percent-owned by Malaysia's Maxis Communications. With about 20-percent mobile penetration rate, Indonesia's mobile subscriber numbers are forecast to increase by 30 percent this year to 61 million. Growth is expected to slow down to about 20 percent by 2008.

Telecommunications

- **Maxis, Malaysia's No. 2 telecommunications company, revealed its plan to launch 3G mobile phone services in Indonesia later this year.** The service would be initially available in the Indonesian capital Jakarta and in the surrounding areas in the second half of this year. Maxis said the service would be provided through Maxis' 51 percent-owned Indonesian unit, Natrindo Telepon Selular (NTS). Maxis noted the potential of 46 million mobile phone users in Indonesia, with the market forecast to increase to about 100 million users over the next three to four years. Maxis though has rivals in Indonesia's top three telecommunications companies, PT Telkomsel, PT Indosat and PT Excelcomindo, which also have foreign partners in, respectively, Singapore Telecommunications, Singapore Technologies Telemedia and Telekom Malaysia. Maxis acquired the controlling stake in NTS last January for US\$100 million and has added India's Aircel to its group.

Ventures/Investments

- **The Islamic Religious Council of Singapore or MUIS announced the signing of a Memorandum of Understanding with the biggest Islamic portal in the world, IslamOnline.** Observers are saying the alliance is going to contribute to providing an access to the profile of Muslims, as well as provide the perspective of a Muslim minority in a multi-racial and multi-religious country. IslamOnline is based in Qatar and collates information and resources about Islam from around the world, with the aim of promoting a progressive Muslim society. The portal said it is advocating tolerance.

United States/Canada

Internet

- **Broadband service provider-branded VoIP rollouts proved to be very successful in 2005, according to a study conducted by Sandvine Incorporated in November and December 2005.** The new study indicates that North American service provider-branded VoIP accounts for 53 percent of all VoIP minutes on broadband networks. Vonage, with 21.7 percent share of North American minutes and Skype, with a 14.4 percent share were the two leading third-party providers. All other third-party VoIP providers captured the remaining 10.9 share of minutes. The report shows that in Europe, service provider-branded VoIP represents 51.2 percent of all VoIP minutes, while Skype follows closely behind with 45 percent of all VoIP minutes. Vonage gets less than 1 percent share while other third-party VoIP providers account for 3.5 percent of all minutes. Broadband providers in North

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America with network-wide VoIP deployments are getting an average of 81.8 percent of the VoIP minutes on their own networks.

- **Amazon.com disclosed a 43 percent decline in its fourth-quarter earnings for the three months to December to US\$199 million compared with US\$347 million in the last three months of 2004.** The company said the most recent results included a one-time tax benefit of US\$38 million. In the last three months of 2004, Amazon said it posted a US\$239 million one-time tax gain from losses incurred in previous years. Its net sales for the three-month period went up by 17 percent to US\$2.9 billion US\$2.5 billion in the fourth quarter of 2004. Amazon explained that sales would have grown by 22 percent had it not for the US\$121 million impact of changes in foreign exchange rates. For the current first quarter, the company said it expected sales of between US\$2.1 billion and US\$2.2 billion. For this entire year, the company forecast sales of between US\$9.8 billion and US\$10.4 billion. For 2005, Amazon.com said it earned US\$359 million, representing a 39-percent decline from US\$588 million in 2004.
- **Google announced an 82 percent growth in its fourth-quarter profit as the world's leading Internet search engine expanded its lucrative online advertising business.** The company disclosed a net income of US\$372.2 million in the final three months of last year. Its sales registered an 86 percent climb to US\$1.9 billion resulting from gain of market share from other search companies like Yahoo and Microsoft's MSN. Almost doubling the 2004 figure, Google's net income went up by 267 percent to US\$1.4 billion on revenues of US\$6.1 billion.
- **A new tentative settlement with Internet Corporation for Assigned Names and Numbers (ICANN) requires VeriSign to meet certain conditions in order to fully raise fees for ".com" domain.** The new agreement also sees VeriSign being prevented from ultimately passing on to domain name holders separate surcharges that help fund ICANN. The new accord is expected to put an end to a longstanding legal dispute between the two powerhouses. Upon approval of the agreement, the two are expected to drop a number of lawsuits filed against each other.

Information Technology

- **Savi Networks, operator of the RFID-enhanced global information service for container shipments, announced that its SaviTrak information services are now fully operational at major port facilities in Asia.** The SaviTrak information service enables automated tracking, management, and security is now commercially available at two of the world's busiest ocean terminals, which are found in Hong Kong and Shenzhen in China. Savi said it will announce additional "live" trade lanes throughout Asia, Europe and South America in the coming weeks, a move that follows its partnership with U.S. terminal operators, Marine Terminals Corporation (MTC) and Trans Pacific Container Service Corp.
- **In what is touted as the largest commercial contract bidding process in the technology market history, General Motors announced the awarding of billions of dollars in IT contracts to Electronic Data Systems, IBM and other companies.** GM said it planned to spend approximately US\$15 billion on information technology over the next five years, with about half of that amount made to five-year contracts. The contracts would include vehicle design systems, manufacturing support as well as global supply chain management. Computer services firm Capgemini, a Paris-based computer services firm, was the main winner as it secured all six contracts it bid on and will get US\$500 million. Through the contracts, GM is boosting its business with IBM and Hewlett-Packard, with HP securing a contract worth US\$700 million, and IBM winning a contract valued at US\$500 million. With India-based Wipro, GM awarded a contract that is valued at more than US\$300 million. Another company,

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Covisint, is also a recipient of a contract from GM although the subsidiary of U.S.-based Compuware did not reveal the value of the contract.

Ventures/Investments

- **Nortel announced its formation of a new joint venture with China-based Huawei Technologies to develop ultra broadband access solutions for markets around the world.** The joint venture will concentrate on product enhancements for Huawei's current broadband access portfolio and the development of a new broadband product portfolio. The portfolio will be sold exclusively to Huawei and Nortel as channel providers. The two companies said they expect to complete the formation of the joint venture in the third quarter of 2006, with the merged entity combining Huawei's broadband access solutions with Nortel's voice and broadband networking technologies to create a new product portfolio. The companies said these products will give service providers the ability to put together the delivery of voice, video, data and wireless services to business and residential customers onto a common IP platform that supports copper, fiber and fixed wireless networks. Huawei is a global telecom equipment maker, with products deployed in over 100 countries around the world. Earlier the two companies also entered into a supply agreement that allowed Nortel to immediately begin supplying customers with Huawei's current broadband access portfolio. The venture will be based in Ottawa.

Semiconductors

- **Diodes Incorporated, a leading manufacturer and supplier of high quality discrete semiconductors primarily to the communications, computing, industrial, consumer electronics and automotive markets, announced that it has successfully completed the International Organization for Standardization (ISO) compliance audit.** Diodes Incorporated is a leading firm with corporate sales, marketing, engineering and logistics headquarters located in Southern California, with two manufacturing facilities in Shanghai, China, a wafer fabrication plant in Kansas City, Missouri, engineering, sales, warehouse and logistics offices in Taipei, Taiwan and Hong Kong, and sales and support offices throughout the world. Diodes, Inc. recently acquired Anachip Corporation, a fabless analog IC company in Hsinchu Science Park, Taiwan.

Europe

Hardware

- **Option NV, the Belgian maker of wireless cards for mobile phones and portable computers, said it would supply high-speed data cards to be built into laptop computers made by Acer Inc.** The data cards will be embedded into a new range of laptop computers from Acer, and marks the first year that laptop computers will include built-in wireless cards. The laptops will first be sold in Europe, with plans to sell to the U.S. and Asia later this year. Option's main competitors are Novatel Wireless Inc. of the U.S. and Canada's Sierra Wireless Inc. Novatel also announced that it would supply Dell Inc., the world's largest personal-computer maker, with embedded modules for Dell's next range of notebook computers. Sales of the embedded card will represent between 5 percent and 10 percent of Option's sales this year. Option expects its sales for 2006 to climb to as much as 295 million euros (US\$356.5 million) from 195 million euros (US\$234.3 million) in 2005. Acer said it will sell the laptops together with mobile-phone operators and announced that it has agreements with several firms, including Vodafone Group Plc.

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Telecommunications

- **Alcatel announced a 61 percent rise in its net profit to 930 million euros (US\$1.1 billion) last year, getting a boost from its record profit in the fourth quarter of 344 million euros (US\$413.4 million) compared with 7 million euros (US\$8.4 million) in the same period of 2004.** The company said sales in 2005 went up by 7.3 percent to 13.1 billion euros (US\$15.7 million). Alcatel said it expected the favorable market of the latter part of last year to continue into the first quarter of this year. The French telecommunications firm also predicted that it would “outperform” the market this year.

Media, Entertainment and Gaming

- **British Sky Broadcasting Group announced a 9 percent rise in its second-quarter profits, with its net profit for the three months to December 31 climbing to 134 million pounds (US\$236.1 million), from 123 million pounds (US\$216.7 million) a year earlier.** The company said its revenue registered a 10 percent climb to 1.1 billion pounds (US\$2 billion). The company exceeded its target of eight million subscribers by the end of last year, registering an additional 215,000 new customers in the last three months of the year to bring its total to 8.1 million. BSkyB explained that it is in the process of acquiring Internet provider Easynet Group in a deal that is valued at 211 million pounds (US\$371.8 million). The acquisition is expected to give the company the ability to offer customers a package of high-speed Internet access, pay-TV and phone calls over the Internet.

Mobile/Wireless

- **LM Ericsson announced a 52 percent growth in its fourth-quarter earnings, ascribing the growth mainly to seasonality and a strong growth in services.** The world's largest supplier of wireless network equipment reported a net profit for the quarter of 8.5 billion kronor (US\$1.1 billion), a growth over the 5.6 billion kronor (US\$726 million) it posted a year earlier. For the year, it reported net profit of 24.3 billion kronor (US\$3.1 billion). The earnings were based on sales of 45.7 billion kronor (US\$3.2 billion) for the quarter, representing a 16 percent increase. Full-year sales went up 15 percent to 151.8 billion kronor (US\$19.6 billion).

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