

IRG WMR



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

Week of 5 February - 11 February, 2006

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Weekly Highlights

International

Mobile/Wireless

- **As the industry prepares for the 3GSM World Congress in Barcelona, Spain, technology companies are strongly selling mobile TV as the way to boost the replacement rate of mobile handsets and prop up the gradually diminishing price of wireless services.** Receiver suppliers have to confront many challenges in bringing mobile TV into the real world. Beyond improving receiver sensitivity and gauging consumer preferences is another task universally perceived as critical, which is meeting the Mobile and Portable DVB-T Radio Access Interface, or MBRAI. A number of mobile-TV trials are already under way, from the United States and Australia to France, Spain, the U.K., Germany, the Netherlands, Finland and Switzerland—all just based on DVB-H, one of several competing mobile-TV standards. A top official of Microtune, a digital TV silicon and systems supplier, said bringing broadband TV into the narrowband mobile-phone world is not easy, citing the fact that the real-world environment is bombarded with strong signals from adjacent channels, multipath interference and radios, radios everywhere, including GPS and emergency services. Many industry analysts see those in the DTV business—Microtune, Broadcom, ATI Technologies and Philips—as potential winners in the DVB-H receiver market in the long run.

Internet

- **According to Parks Associates, as of 2005, about 5 million people around the world were using super fast Internet connections to watch TV, movies, and other video content.** That figure is expected to surge to 70 million by 2010, according to the research group. In an effort to fuel as well as meet that demand, services providers the world over are spending billions of dollars to upgrade networks and cable systems. Nortel Networks and Huawei Technologies already announced a venture that will let them jointly develop gear for use in broadband networks that carry video content. Canada's Nortel and China's Huawei will pool technology to tap the US\$9 billion broadband-access market, which is expected to grow 8 percent this year. Growth in that market will only accelerate, rising as high as 25 percent in coming years, as more telecom service providers and other outfits get in on the act, according to U.S.-based WinterGreen Research. Phone companies such as Verizon Communications and AT&T are rushing into so-called Internet-protocol TV in a battle with cable operators such as Comcast. Content providers such as Walt Disney and Internet giants like Yahoo! may also join the competition. Nortel and Huawei, however, have to contend with rivals. Alcatel, Lucent, Siemens, and Cisco; all of which have their sights set on the TV-over-broadband market. Alcatel recently announced new contracts for build-outs of next-generation broadband networks in Lebanon and Denmark. In October, Lucent announced a new platform for multimedia delivery over broadband lines.

Japan

Internet

- **Aizawa Securities Co., a Tokyo-based brokerage, announced its plans to go public on the JASDAQ Securities Exchange.** The firm offers Internet-based trading in addition to handling orders placed by customers in person at its branches. The brokerage is reportedly promoting investment in Asian stocks in a bid to lessen its reliance on domestic issues. The firm has formed a series of business

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tie-ups with securities firms in China, Hong Kong, Taiwan, South Korea and Singapore. In May 2005, it established a Shanghai subsidiary to gather information about the Chinese economy and local firms. The monthly value of trades in Chinese stocks comes at around 3 billion yen (US\$254.5 million) on average; a figure that makes up less than 10 percent of the firm's operating income. The firm said it plans to increase the ratio to around 20-30 percent in the future. Lead manager for the IPO is Daiwa Securities SMBC Co.

- **The five major online brokerages – E*Trade Securities Co; Rakuten Securities Inc.; Matsui Securities Co; Monex Beans Inc.; and kabu.com Securities – of the country posted a record average trading value of 1.3 trillion yen (US\$11 billion) in January.** The firms cite as the major factor behind the performance the individual investors' buying spree. The figure represents more than a threefold increase from 420 billion yen (US\$3.5 billion) in January 2005. The average daily trading value among the five major online brokers went beyond the 1 trillion yen (US\$8.4 billion) mark for the first time in December 2005 when it then hit 1.2 trillion yen (US\$10.1 billion).

Mobile/Wireless

- **NEC Corp. announced that it has secured a series of orders from European mobile phone companies for communications equipment for mobile Internet services.** Earlier, the company announced the shipment to Bouygues Telecom SA of France a system that allows the distribution of video to mobile phones. In addition to distributing live programming in a streaming format, the system can be used for video-on-demand services. Bouygues is introducing NTT DoCoMo Inc.'s i-mode and aims to bolster its competitiveness by adding video distribution services. NEC said it has also delivered to Wind Telecom SpA of Italy equipment that can provide more precise position information services using mobile phone base stations and Global Positioning System receivers. Wind is already conducting tests with NEC and aims to commercialize the service in the near future. NEC disclosed that its sales of mobile phone systems for value-added services reach a total of around 50 billion yen (US\$424.2 million) annually, which the company said it expects to raise to some 75 billion yen (US\$636.3 million) in the next two or three years.
- **Cellular phone service providers in the country revealed their plans to increase capital investment by almost 20 percent, bringing the figure to more than 1.6 trillion yen (US\$13.5 billion) in fiscal 2006.** The increase is estimated at about 200 billion yen (US\$1.6 billion) and is forecast to come from two factors: the newcomers readying their entry into the market and the introduction of a number portability system. Three firms – Softbank Corp., eAccess Ltd, and IPMobile Inc. are reportedly preparing to launch cell phone service in the autumn or, in a much later date, set up base stations and computer systems for customer management. eAccess said it plans to lay down roughly 100 billion yen (US\$848.4 million) next fiscal year. Capital investment by the three firms is estimated to reach a total 150-200 billion yen (US\$1.2 billion-1.6 billion yen). The three existing cellular service firms – NTT DoCoMo Inc., KDDI Corp. and Vodafone KK – have started system development for the November start of the number portability program. Total development expenses by these other three companies are estimated to hit 30 billion yen (US\$254.5 million). The three existing firms expect to spend a total of roughly 1.4 trillion yen (US\$11.8 billion) on facilities for cell phone service this fiscal year. NEC Corp. said it has received orders to configure a portion of the number portability system.
- **NTT DoCoMo Inc. and Nippon Television Network Corp. announced their setting up of a partnership in a bid to offer new services related to digital broadcasting for cell phone users in Japan.** The two companies are expecting the alliance to bring about the development of new services

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for "one-segment" terrestrial digital broadcasting. The new broadcasting, which is aimed at mobile handset users, is slated to begin in April. Under the deal, the two are forming a limited liability partnership (LLP) to create TV programs for phone users and invest in the production of such content. Within the LLP, DoCoMo and Nippon TV will be putting each an investment of 5 billion yen (US\$42.4 million). To prepare for the new digital broadcasting, DoCoMo earlier disclosed that it would acquire a 2.6 percent stake in Fuji Television Network Inc.

- **ITC Networks Corp., a Japanese mobile phone distribution company, announced that it has received approval to list on the Tokyo Stock Exchange's Second Section.** The company said it will offer 27,000 shares to the public in its initial public offering. Of those, 12,000 are newly issued shares and 15,000 are shares currently held in private. ITC Networks will offer all the shares through the book-building method. The company expects to net 4.1 billion yen (US\$34.7 million) from the IPO. It disclosed that it plans to utilize 975.4 million yen (US\$8.2 million) for capital expenditure and the remaining for working capital. For the current fiscal year through March 31, the company forecasts a group pretax profit of 3.6 billion yen (US\$30.5 million), net profit of 2.3 billion yen (US\$19.5 million), and revenue of 183.5 billion yen (US\$1.5 billion). Nomura Securities is the lead underwriter of the offer. It also has a green shoe option that will allow it to offer an additional 4,000 shares in the event of exceptional demand.
- **Softbank announced that it is in talks with Vodafone to lease telecom networks for mobile phone services, a deal observers said would threaten industry leaders NTT DoCoMo and KDDI.** Softbank earlier disclosed that its plans were to expand its services gradually from urban areas, explaining that decision to the limited number of base stations it can build. In the tie-up, Softbank would be tapping the Vodafone networks in areas where it would have no bases of its own. Vodafone is the world's biggest mobile telephone operator in terms of revenue but lags behind NTT DoCoMo and KDDI in Japan. Softbank is one of the three carriers that are to enter the market this year or next year.

Media, Entertainment and Gaming

- **Fandango Inc., an entertainment content distributor, said it will go public on the Osaka Securities Exchange's Hercules Market.** The firm is a subsidiary of Yoshimoto Kogyo Co, which focuses on the production and sales of DVDs and CDs featuring Yoshimoto's comic entertainers. Fandango also disclosed that it is boosting its operations in the distribution of content for the Internet and mobile phone users. The company said that packaged software, including DVDs, make up 80 percent of the firm's sales, attributing to web-based distribution the remaining 20 percent. The company counts some 250,000 paying members for its mobile phone content distribution services, with satellite channel serving about 25,000 households. Fandango said it places equal emphasis on its Chinese operations, citing the Shanghai disco it operates. The company plans to hold events and other activities in China to increase the membership of its services throughout the country. It looks to its group pretax profit growing to 1.7 billion yen (US\$14.4 million) for the year through March 2006, up 95 percent from the previous year. Sales are expected to reach 10 billion yen (US\$84.8 million), up 81 percent. Observers noted that sales from a Hong Kong music software company that Fandango acquired in December 2004 will likely help boost the figure together with the strong sales of comic DVDs. It aims to raise about 3 billion yen (US\$25.4 million) in the company, with the plan to use the fund to develop content. Lead manager for the offering is Daiwa Securities SMBC Co.

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Hardware

- **Sharp Corp. of Japan and Chi Mei Optoelectronics Corp. of Taiwan announced their coming to a cross-licensing agreement that will allow them to share patents on LCD panels.** Sharp said it is looking to signing the agreement with Taiwan's second-largest LCD panel maker around March. The agreement covers several thousand LCD-related patents of both firms with certain proprietary patents excluded. The deal, which is good for five years, includes patents related to such products as LCD TVs, LCD monitors, notebook personal computers, and small and medium LCD panels. The term of the cross license pact will be five years, the companies said. Financial details of the deal of the cross-licensing deal were not revealed.
- **Pacific Net Co., a firm that recycles personal computers, announced its plans to go public on the Tokyo Stock Exchange's Mothers market for start-up companies.** The company buys used PCs from corporations and educational institutions and resells them after erasing the data, repairing and cleaning the machines. The recycled PCs are sold at nine directly operated outlets or via the Internet. For the year through May, Pacific Net expects a 14 percent increase in parent-only pretax profit to 510 million yen (US\$4.3 million). Pacific Net said that it plans to use the 800 million yen (US\$6.7 million) in proceeds from the public offering to acquire other PC recycling firms and open new outlets. Lead manager for the IPO is Cosmo Securities Co.
- **Applied Co., a firm that produces and sells personal computers and PC peripherals, said it is scheduled to go public on the JASDAQ Securities Exchange.** The firm owns and operates 21 stores, PC peripherals contributing about 60 percent of overall sales. The company for the most part out sources production of the proprietary models to South Korean firms. Since April 2004, the company has increased its efforts to sell digital home appliances, such as LCD television sets, with the aim of lessening what it perceives as an over-reliance on peripherals for sales. The firm promotes Taiwanese and Chinese electronics products that it imports through its own channels. Applied expects parent-only pretax profit for the year through March to post a 13 percent growth to 537 million yen (US\$4.5 million) on sales of just over 25.3 billion yen (US\$214.6 million). The firm expects to raise 600-700 million yen (US\$5 million-6 million yen) through the IPO, with the fund to be used to expand the firm's nationwide store network. Lead manager for the IPO is Daiwa Securities SMBC Co.
- **Media Global Links Co., a communication and broadcasting equipment developer, said it has received approval to list on the JASDAQ Securities Exchange.** The company said it will offer 11,270 shares to the public in its initial public offering. Of those, 8,000 are newly issued shares and 3,270 are shares currently held privately. The company will offer all the shares through the book-building method. The company expects to net 2.4 billion yen (US\$20.3 million) from the IPO. Of the proceeds, it plans to use 247 million yen (US\$2.1 million) for investment in its plant and equipment, 400 million yen (US\$3.3 million) for investment and loans to subsidiaries, 335.4 million yen (US\$2.8 million) for working capital, and the remaining 1.4 billion yen (US\$11.8 million) for future research and development. For the current fiscal year through March 31, the company forecasts a group pretax profit of 666 million yen (US\$5.6 million), net profit of 398 million yen (US\$3.3 million), and sales of 3.7 billion yen (US\$31.3 million). Nomura Securities, the lead underwriter of the offer, also has a green shoe option, allowing it to offer an additional 1,690 shares in the event of exceptional demand.

Semiconductors

- **Genesis Technology Inc., a Japanese semiconductor testing company, said it has received approval to list on the Tokyo Stock Exchange's Second Section.** The company said it will offer all the shares through the book-building method. The company expects to net 1.6 billion yen (US\$13.5

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million) from the IPO. Of the proceeds, it plans to use 1.5 billion yen (US\$12.7 million) for investment in plant and equipment and the remaining 123.6 million yen (US\$1 million) for paying back loans. For the current fiscal year through March 31, the company forecasts a parent pretax profit of 1 billion yen (US\$8.4 million), net profit of 573 million yen (US\$4.8 million), and revenue of 13.3 billion yen (US\$112.8 million). Nikko Citigroup, the lead underwriter of the offer, also has a green shoe option, allowing it to offer an additional 234,000 shares in the event of exceptional demand.

Software

- **e-Seikatsu Co., a system development company into real property businesses, announced that it will go public on the Tokyo Stock Exchange's Mothers market for start-up firms.** The company operates mainly as an ASP (application service provider), with the firm's mainstay product in the form of a database software designed to enable consumers to search condominiums and other properties that are listed online as either for rent or sale. Other than providing packaged applications, it develops software tailored to specific client requirements. It counts among its shareholders Yahoo Japan Corp. For the year through March 2006, the firm expects a parent-only pretax profit of 160 million yen (US\$1.3 million). The company said it will utilize the funds raised through the IPO for the upgrading of its servers and software tools and increase the work force. Lead manager of the offering is Daiwa Securities SMBC Co.

Korea

Internet

- **KT announced the unveiling of its online enterprise security management service based on the Securent Integrated Security Management Service.** This service helps collect the security information from the security gears in the customer site and provide gear status, traffic information, real-time monitoring, statistic report, automatically warning, troubleshooting information and a variety of statistic information in real-time. The program also enables users to manage various security equipment through a web browser without installing a special program at a low rate.
- **Daum Communication Corp., the country's second-largest portal site operator, announced the signing of an exclusive contract with the official agent for Infront Sports & Media AG, the broadcaster of the 2006 FIFA World Cup.** The contract allows Daum to air the World Cup games on its web site and over mobile phones. The service will only be available to members who sign up with the portal site. The portal operator said the offering will also offer highlights from each game. The agreement gives it an exclusive right among local web portals to take advantage of emblems and logos of the World Cup games in its marketing activities.
- **NHN Corp, the country's Internet portal giant, disclosed its loss in the fourth quarter of 2005.** The firm attributed the loss to a one-off charge related to its business in China. In its regulatory filing, NHN posted a net loss of 50.7 billion won (US\$52.6 million) in the October-December period, compared with a net profit of 14.5 billion won (US\$14.8 million) in 2004. In a separate report, NHN announced that its online fighting game, Kwonho, hit 1 million registered users in just two weeks since its launching.
- **Hanaro Telecom, the nation's second-largest Internet service provider, announced the acquisition of a 65 percent stake in video-on-demand service provider Celrun TV for 5.5 billion won (US\$5.6 million), a move said to be part of its aim to reinvent itself as a media company.** With the deal, Hanaro said it plans to start its Internet-content-on-demand services. Hanaro said it will

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increase the capital of Celrun TV from 6 billion won (US\$6.1 million) to 26 billion won (US\$26.7 million) within the year by issuing 20 billion won (US\$20.5 million) worth of Celrun TV shares. The Internet service provider said in a recent regulatory filing that it signed a memorandum of understanding with Celrun on the share purchase and other bilateral cooperation. The deal makes Hanaro Telecom the largest shareholder in Celrun TV, with all remaining stock owned by Celrun itself. Celrun TV was launched last year as a joint venture between its parent company and Japanese broadcasting company Orix.

Mobile/Wireless

- **The Korea Wireless Internet Standardization Forum (KWISF) disclosed that it is readying to unveil a finalized WIPI Standardization Process plan dubbed WRS 2.0.** The move comes after year-long talks with wireless operators and mobile handset manufacturers. The forum plans to begin attracting member organizations, and establish a secretariat office under the WIPI Promotion Association. The new plan is seen as intensifying linkages with the existing industrial standards. It is expected to include an open-source standard community, which will adopt Java standards group model. The forum has also decided to open the door for participation of many other firms instead of just limiting itself to large business. Under the new plan, the forum will also recognize patent technologies held by individual business organizations instead of sticking to a free standard policy. A member is allowed to propose a standard, an authorization test case and an intellectual property rights policy to the forum. When the proposal is adopted a standard, the member can collect fees from other members using the technology.
- **The Ministry of Information and Communication (MIC) revealed its grand plan to construct a "mobile paradise," a special district, where people will be able to enjoy a seamless service from the world's latest wireless technologies next year.** Dubbed the M1 (Mobile No. 1) project, the special district is kind of a free technology zone that will create a new mobile environment and be the testing area for up-and-coming wireless platforms. Included in the available techniques will be all mobile broadcasting systems like DVB-H developed by Nokia, Qualcomm's MediaFlo and the home-grown digital multimedia broadcasting. The place will allow individuals to use for free every next-generation telecom platform such as time division-synchronous code division multiple access (TD-SCDMA), WiBro and a global system for mobile communications (GSM). Under the program, MIC said it aims a 100-percent mobile literacy here as well as substantially expanding the country's presence in the global market. . An MIC official said the new project is looking to come up with products worth 576 trillion won (US\$591.6 billion) by 2010 and create additional value of 266 trillion won (US\$273.2 billion) within the same period. The ministry said it is aiming to counter side effects caused by fast-developing high-tech fields. To reach that goal, the ministry is setting aside 43.7 billion won (US\$44.8 million) for this year to bridge the widening gap between those with access to IT and those who do not have.

Media, Entertainment and Gaming

- **The Korea Game Development & Promotion Institute (KGDI) and Sony Computer Entertainment Korea (SCEK) announced their forming of a partnership, with the aim of developing game titles for Sony's portable game console PlayStation Portable.** KGDI said that it would co-host the PSP Game Development and Publishing Contest with SCEK in order to promote the industry's interest in portable games and enhance development of game platforms. The two groups said they are aiming to give support for winners who are developing console game titles, and assist in the setting up of game title business and publishing contracts. KGDI and SCEK also disclosed that

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winners will be provided with a variety of technology data including PSP development tools, libraries and Korean manuals after signing non-disclosure agreements.

- **Emotion announced that it has reached 50 million cumulative users and 400,000 concurrent users for its game, Audition, in China.** The game is currently ranked No. 1 in China's leading search portal, Baidu. The company said Audition registered 40 million users and 250,000 concurrent users as of December last year. Emotion said that the company earned 500 million won (US\$513,000) in royalty fees from China in January. Emotion, which has launched the game in three countries, revealed that it plans to increase the number of countries to 10 by year-end. Yedang Entertainment, the parent company and its subsidiary companies, operating under the business name Emotion Corp., is the authorized distributor for Emotion copyrighted computer software product Audition.

Software

- **Symantec Korea announced its plans to sell mobile anti-virus solutions, in a bid to attract mobile devices including smart phones.** The security solution maker will launch Symantec AntiVirus for Handhelds Corporate Edition 3.5. The software works on MS Window Mobile 5.0 and other mobile OS. The company noted that the proliferation of mobile devices made possible easy access to information which opened corporations to a more vulnerable state to hackers trying to penetrate corporate networks. The company said it is at the forefront of the mobile security technology with its launching of the first integrated security solution Symbian OS.

Telecommunications

- **IP Telephony Carrier's market revenues are predicted as registering a growth from US\$1.6 billion in 2004 to US\$4.7 billion in 2010, according to a report by Dell'Oro Group.** The report noted that sales of Class 5 subscriber access solutions now complement the sales of Class 4 trunk networks that serve as growth driver for the early years of Next Generation Network Equipment (NGN) sales. Sales of both Class 4 and Class 5 solutions are forecast to climb as the upgrade of the circuit-switched PSTN to the IP-based NGN accelerates over the next several years. The transition of IP Telephony Carrier to VoIP is part of their broader network transformation to all-IP networks that deliver expanded services via broadband connections.
- **KT said it would spend 500 billion won (US\$513.5 million), three times more than the investment of the rival, SK Telecom in the wireless Internet this year.** SKT revealed that it will inject 170 billion won (US\$174.6 million) in WiBro, while giving primary focus on HSDPA, giving away its plan to invest 570 billion won (US\$585.4 million) in HSDPA. KT has also decided the charging system for WiBro, which entailed fixed-price up to a certain amount and then usage-based charging. The company announced it would unveil a dual WiBro phone working on both CDMA and WiBro in the latter half of this year. Starting with Seoul and the metropolitan district, KT plans to extend the service area to 38 large cities across the nation. SK Telecom will expand the coverage to encompass 84 cities including the metropolitan area. In a separate report, KT, South Korea's said it is seeking to build a communications center in an industrial complex in the North Korean border city of Kaesong. KT said the center is designed to provide both land-based and wireless communications services to companies operating in the industrial park. KT has decided to buy back and cancel 200 billion won worth of shares and pay a standard 2,000 won per share dividend at the end of March in order to enhance shareholder value.
- **Hanaro Telecom announced 2005 revenue of 1.4 trillion won (US\$1.4 billion), operating profit of 53.2 billion won (US\$54.6 million) and a net loss of 208.8 billion won (US\$214.4 million).** The company said that while its revenue posted a 6 percent growth, year on year, its operating profit

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registered a 53 percent decline year on year due to increased marketing spending on the back of heated competition in the broadband market. It explains its net loss to one-off expenses from the acquisition of Thrunet and restructuring measures. Hanaro Telecom's broadband subscriber target for this year is 3.6 million.

Information Technology

- **ETRI, Korea's leading research and development organization for the IT industry, announced that it developed a mobile TV device enabling interactive data broadcast.** ETRI said that while the device transmits DMB, it also offers web type information including online news, stock market information, weather and even e-commerce. Should terrestrial DMB expand to WiBro and telematics, services offering VOD, T-Commerce, M-Commerce, traffic information based on DMB will be possible. ETRI is now developing interactive service technologies exploiting such technologies as terrestrial DMB, middleware, voice data service, BWS (Broadcasting Website Service), slideshow and MOT (Managed Object Toolkit).
- **Electronic textbooks will be available at elementary schools as innovative educational tools starting in March.** The e-books are referred to as computer-based educational materials. The Ministry of Education and Human Resources Development has recently developed electronic textbooks in math targeting fifth and sixth graders of elementary schools. The digital math textbooks are the first among regular subjects to be taught for one year. The ministry said that it has spent about 140 million won (US\$144,000) developing the e-books since last May. It will operate the digital textbooks in five elementary schools nationwide on a trial basis from March for one year. The e-books are specially designed to maximize educational effects by offering three dimensional experience programs, highlighter tools and feedback systems unlike simply having content.

China

Media, Entertainment and Gaming

- **Shanda Interactive Entertainment Ltd. (Shanda), a leading interactive entertainment media company, announced its signing of an agreement with NHN Games Corp. for an exclusive license to operate ArchLord, a 3D MMORPG in mainland China.** The game is expected to enter closed beta testing in China during the second quarter of 2006. NHN Games Corp., a leading online game company in South Korea, commercially launched Archlord in South Korea in 2006.
- **China Digital Media Corp., a digital media company announced through its subsidiary, Guangdong HuaGuang DigiMedia Culture Development Ltd., its revision of a Memorandum of Understanding (MoU) with a leading provincial TV station in a bid to enhance their previous agreement to a form that would allow the setting up of two joint ventures.** The agreement is a replacement of the one the parties signed in November 2005. Under the new agreement, the TV station will grant exclusive content provision rights to its TV channel and outsource its entire advertising time slots into two newly formed joint ventures. Guangdong HuaGuang DigiMedia Culture Development Ltd. Disclosed that it will invest up to US\$2.5 million and provide business and marketing expertise for the two joint ventures. The first joint venture will be responsible for providing services to a TV channel exclusively, including program sourcing, schedule planning and production of TV programs and major events. The second will serve as a sole advertising wholesaler that will enable the TV channel to sell its advertising time slots to international and domestic brand names. In a separate report, China Digital Media Corp. announced that it has, through its affiliate Guangdong

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HuaGuang DigiMedia Culture Development Ltd. (HuaGuang), entered into an agreement for the acquisition of all media-related businesses, assets, business contracts and management from Guiyang Classic & Fashion Advertising Co. Ltd., a TV program production and advertising company in China. Under the agreement, China Digital Media will pay approximately US\$2.2 million, in cash and common stock, subject to adjustment in the event that the acquired assets generate a profit less than approximately US\$2.5 million in the next two years.

- **Enjoy Media, a media and advertising holding company, announced the signing of an agreement for the acquisition of a 10 percent equity interest in YYFC.com from Guangzhou XinKuai Technology Company Limited.** The acquisition is valued at US\$625,000 and to be settled by issuance of restricted common shares of Enjoy Media. The report said Enjoy Media has boosted its online advertising business by signing a three-year exclusive service contract with YYFC. According to iResearch, China's online advertising market is valued at US\$330 million market in 2005, and could reach US\$490 million in 2006. Enjoy Media is based in Guangzhou, China. It operates a full range of media advertising businesses in the southern China region with established networks to many major Chinese cities such as Guangzhou, Shenzhen, Shanghai, Beijing and Hong Kong. Enjoy Media manages investments and businesses covering advertising and media strategies for a mass audience and a specialized target audience. YYFC is one of the largest and most visited music portals nationwide in China with over 1 million registered members, who actively swap music files recorded originally from YYFC members.

Internet

- **Air China, the leading international air carrier in China, and Connexion by Boeing, a business unit of The Boeing Co., announced their coming to a preliminary agreement to provide real-time connectivity to air travelers traveling to and from China.** Expected to be set up in October 2006, the Connexion service will allow passengers en route in-flight access to the Internet, real-time email, instant messaging (IM), corporate intranet access, including virtual private network capability. Under the agreement, service availability is expected on major routes between China and North America, Europe, the Middle East and throughout the Asia Pacific region. Financial terms of the deal were not disclosed.
- **Six Internet firms in the country are expected to tap overseas markets this year in a bid to generate between US\$500 million and US\$1 billion in initial public offerings, according to the Internet Society of China.** Alibaba.com, mobile music service provider A8 Limited and online community service provider China Interactive Corp are seen by the group as seeking listings this year. Sources said A8, Shenzhen-based mobile music service provider, expects its shares to be valued at 10 times to 20 times the company's historical profits. A8 obtained US\$20 million from venture capital firms TDF Capital, Jafco Asia, Intel Capital Corp, Mitsubishi UFJ Securities (HK) Capital and International Data Group in December last year. Despite denials from its officials, Alibaba.com is also rumored to be another listing candidate. Another possible listing candidate is mainland online community service provider China Interactive Corp. Its main assets include portal Mop.com with more than 18 million registered users. The company aims to boost its revenue to US\$50 million this year to meet NASDAQ listing requirements. The report estimated that total revenue from Internet users in China would increase 52.5 per cent year on year to 286 billion yuan (US\$35.5 billion), up from 186 billion yuan (US\$23.1 billion) last year. The report also predicted that a new generation of Internet applications, such as Web 2.0, would focus more on interactive functions and personalized content and that blog and mobile internet service (WAP) would spur the growth of the next industry.

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- **CDC Corporation's subsidiary China.com Inc. said its online game, Yulang, went beyond 260,000 peak concurrent users in the fourth quarter of last year, a figure that stands for a quarter-on-quarter increase of 39 percent.** Yulang is an MMORPG developed by MGame in Korea. In October 2005, China.com formed a wholly-owned subsidiary, CDC Games Limited, to hold all of its assets and strategic alliances related to online games. The company announced average concurrent users per day registered 162,000 in the last quarter, a 34 percent increase from 121,000 in the third quarter of 2005. Registered users totaled almost 15 million in the fourth quarter, a 63 percent growth rate from 9.1 million in the third quarter of 2005.
- **Sohu.com announced a 27 percent year-on-year increase in its unaudited financial results for the fourth quarter and fiscal year ended December 31, 2005.** Sohu said its net profit, following the U.S. GAAP, hit US\$8.9 million, a figure that goes beyond company guidance. The company said its total quarterly revenue was US\$30.5 million, a figure representing a 27 percent year-on-year and 8 percent quarter-on-quarter increase. Its advertising revenues went up by 28 percent year on year to US\$20.3 million. Revenues for fourth quarter ended December 31, 2005 totaled US\$30.5 million, compared to revenues of US\$28.3 million for third quarter ended September 30, 2005, and US\$24.1 million for fourth quarter ended December 31, 2004. The company posted net income of US\$8.0 million for the previous quarter and US\$6.5 million for fourth quarter of 2004. Sohu said advertising revenues, valued at US\$16.9 million in brand advertising and US\$3.4 million in sponsored search, made up of 67 percent of total revenues in fourth quarter of 2005. In fiscal 2005, Sohu's advertising revenues totaled US\$70.9 million, up 27 percent from US\$55.7 million in fiscal 2004.

Mobile/Wireless

- **Nokia cited its robust growth in sales in the Chinese market. The company said the company's net sales in Chinese markets posted 3.4 billion euros (US\$4 billion), a result that makes China its largest single market around the world.** Nokia said the number of mobile handsets sold in Chinese markets this year hit 32.5 million, a figure that represents a 72 percent growth over the previous year. Nokia's export value from the China registered 2.8 billion euros (US\$3.3 billion) in 2005, which is a 15 percent increase compared with 2004.

Software

- **With software companies in China's Henan province accumulating nearly 5 billion yuan (US\$621.1 million) in sales revenues during the past five years, observers are saying the software industry in the area has become one of the fastest-growing industries in the country.** Observers also say the industry exhibits the most potential. From 2000 to 2005, the software industry in the province posted an average of 50 percent growth in sales revenue every year. The province has four software parks, and serves as host to more than 400 software developers. Henan province said it aims for targeted sales revenue of 20 billion yuan (US\$2.4 billion) for its software industry in 2010.
- **Freeborders, an offshore provider of technology solutions and outsourcing from China, said it has acquired the US-based ITK Solutions, an IT management consulting firm specializing in technology project delivery for financial services companies.** Analysts said the acquisition will widen Freeborders' onshore team of experts in the financial services area, which is considered a main area for expansion by Freeborders. ITK Solutions is a U.S.-based firm. Under the deal, ITK Solutions will exist as a wholly-owned, co-branded subsidiary of Freeborders.
- **CDC Corporation announced that it has completed through its subsidiary CDC Software the purchase of substantially all the business assets of JRG Software, an on-demand supply chain planning solutions delivered as Software as a Service (SaaS).** Under the deal, CDC acquires One

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Plan, an on-demand solution for factory planning and scheduling that combines a highly interactive graphical planning environment with integrated business intelligence to enable the real-time creation, sharing and monitoring of production plans across a manufacturing organization. A top official of CDC said the addition of the offering to its current applications is expected to enable the expansion of the company into new market segments.

Semiconductors

- **Semiconductor Manufacturing International Corporation (SMIC) announced the consolidated results of its operations for the three months ended December 31, 2005 show, with its sales going up to US\$333.1 million, a 7.5 percent increase from US\$310.0 million in the third quarter of 2005.** The company also reported an increase in capacity to 152,219 8-inch equivalent wafers per month. The company said its net loss declined to US\$15.0 million in the fourth quarter of 2005 compared to a net loss of US\$26.1 million in the third quarter of 2005. SMIC's wafer shipments increased 5.8 percent to 376,227 8-inch wafers in the fourth quarter of 2005 compared to the third quarter of 2005. It generated US\$174 million in cash from its operations during the fourth quarter and US\$648 million in 2005. SMIC said its capital expenditure budget will be approximately US\$1.1 billion, which will be scalable depending on market conditions.

Taiwan

Media, Entertainment and Gaming

- **NCsoft announced the official launching its popular online RPG (Role-playing game) hit Guild Wars in Taiwan.** The company through NC Taiwan, its joint venture with Gamania, initiated Guild Wars open beta test and registered more than 100,000 gamers for the Taiwan Guild Wars open beta test. Under the agreement, NC Taiwan will provide two pricing plans for Taiwanese Guild Wars players, one via box sales and another for monthly subscription. The Guild Wars game box will sell at an anticipated price of NT\$1,280 (US\$40) without monthly subscription fee. NC Taiwan will also introduce monthly subscription fees of NT\$369 (US\$12) for customers who are not buying game box at retail shops. Guild Wars is a competitive online role playing game that rewards player skill more than time played. The RPG is available in Korea, North America, and Europe.

Hardware

- **Chi Mei Optoelectronics Corp, a leading flat panel maker, reported a 53.2 percent drop in its net profit for last year to NT\$8 billion dollars (US\$248.2 million) even as its sales posted a rise to NT\$152.8 billion (US\$4.7 billion) from NT\$102.5 billion (US\$3.1 billion).** The company revealed that it sees its shipments of its thin-film-transistor LCD panels in the current quarter to March to remain flat against the preceding quarter, with average selling prices steady to slightly lower. Chi Mei disclosed its planned capital expenditure for this year of about NT\$100 billion (US\$3.1 billion). In a separate report, Chi Mei said it has entered a cross-licensing agreement covering LCD patents with Sharp of Japan.
- **AU Optronics Corp announced a 44.1 percent drop in its net profit last year to NT\$15.6 billion (US\$484 million) compared with NT\$27.9 billion (US\$865.7 million) in 2004.** The world's third-biggest flat-panel maker said its sales went up from NT\$168.1 billion (US\$5.2 billion) to NT\$217.3 billion (US\$6.7 billion). In the fourth quarter, the company's net profit climbed to NT\$11.4 billion (US\$353.7 million), up from NT\$5.8 billion (US\$180 million) year-on-year, as sales went up from NT\$59.5 billion (US\$1.8 billion) to NT\$72.8 billion (US\$2.2 billion). AU Optronics had a net loss of

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NT\$1.6 billion (US\$49.6 million) in the first half of last year, and returned back to profit in the third quarter. The company is No. 3 after Samsung and LG Philips of South Korea.

Hong Kong

Internet

- **PacificNet Inc., a Hong Kong-based information technology service provider announced its decision to purchase a majority interest in Chinese Internet portal Beijing iMobile, one of China's leading Internet information portals and e-commerce distributors.** PacificNet said it aims to acquire a 51 percent equity interest in iMobile for US\$1.8 million, with 14 percent payable in cash and 86 percent in restricted shares of PacificNet. The acquisition is expected to close during the first quarter and is expected to increase PacificNet's earnings. Under the agreement, iMobile has committed to generate US\$500,000 in annual net income. PacificNet said it will also be investing approximately US\$250,000 in iMobile for general corporate and working capital purposes to support growth. Beijing iMobile is one of China's leading internet information portals and e-commerce distributors.
- **Sunevision Holdings, the technology arm of Sun Hung Kai Properties, said it is looking to an increased demand for its mainland and Hong Kong data centers market.** A top company official said they forecast a 68 percent climb in the use of its iAdvantage Internet data centers and information-technology facilities. The company said turnover for the second quarter to December last year was HK\$66.6 million (US\$8.5 million) against HK\$59.6 million (US\$7.6 million) in 2004. Its operating profit went up year on year to HK\$96.1 million (US\$12.3 million) from HK\$21 million (US\$2.7 million). The company's quarterly net profit posted a growth to HK\$94.1 million (US\$12.1 million) compared with HK\$21 million (US\$2.7 million) a year ago, a rise that the company ascribes mainly to the redemption of several bond holdings. The company said it is considering to expanding its data center and Internet connectivity business.

Media, Entertainment and Gaming

- **Supersun, Television Broadcasts' pay-television operation is looking to a change in name in what observers think as a bid to make a turnaround.** The firm is also working on an alliance with its rival PCCW Now Broadband TV. The move, however, does not assure that Supersun can move away from two media giants dominating the market – i-Cable Communications and Now Broadband TV, which have 700,000 and 500,000 subscribers, respectively, according to analysts. Supersun has 63,000 subscribers, Media Partners Asia says. The management hopes that TVB's exclusive drama, music and news content on eight channels will draw in paying customers. The pay-television operator was originally called Galaxy Satellite Broadcasts, but changed its name to exTV, after U.S.-based satellite operator Intelsat bought 51 percent of the Galaxy stake in 2002. Last year, TVB management renamed it Supersun. The company has already secured a network arrangement with Hutchison Global Communications Holdings (HGC), the fixed-line business of Hutchison Whampoa, in a bid to access more than one million households. As for the partnership with PCCW, Supersun is contending with either renting the broadband line from PCCW or allowing PCCW access to its exclusive channels provided by TVB.

Information Technology

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- **Automated Systems Holdings, an IT solutions provider, reported a 26.6 percent growth in net profit for the nine months to December to HK\$23.4 million (US\$3 million).** The firm attributed the growth to rising interest rates and a revaluation gain. The IT solutions provider said it had capital interest of more than HK\$6 million (US\$773,000). The company said its profit from operations posted a 30 percent gain to HK\$27.7 million (US\$3.5 million), from a year earlier. Its turnover for the third quarter went up by 8.4 percent to HK\$258.6 million (US\$33.3 million), compared with the year-ago period. The company said it is strongly considering making acquisition and investment opportunities in Taiwan, the mainland and Thailand. The company describes its business in Hong Kong as stable.

Mobile/Wireless

- **Telstra Corp of Australia said it had no plan to divest CSL in the near term, explaining that the unit would continue to work on its 3G mobile business.** The company's merger proposal with New World Mobile (NWM) waits for the approval by the latter's shareholders. New World Mobile will have until the end of this month to send its shareholders a circular on the proposed merger. When approved, the merged entity is expected to become the city's largest mobile operator with 34 percent share of a market that has over eight million users.

Singapore/Malaysia/Philippines/Indonesia

Telecommunications

- **Singapore Telecommunications (SingTel) announced a 16 percent climb in its net profit for the third quarter from a year earlier.** The company said its net profit for the three months to December was S\$885 million (US\$544 million). The result went beyond the analyst forecasts of S\$721 million (US\$443 to S\$779 million (US\$478.9 million). The company said its performance for the quarter got a boost from the gain of S\$105 million (US\$64.5 million) resulting from the sale of a stake in local mail company SingPost. SingTel said its operating revenue posted a 4.2 percent gain compared with a year earlier, to S\$3.6 billion (US\$2.2 billion) for the quarter. For the nine months to December, the firm said its net profit went up 9 percent to S\$2.4 billion (US\$1.4 billion, with revenues registering a 5.4 percent higher growth to S\$9.8 billion (US\$6 billion). The five associates of SingTel, namely, India's Bharti, Pacific Bangladesh Telecom, Telkomsel in Indonesia, Globe Telecom in the Philippines and Thailand's Advanced Info Service, presently contribute 32 percent of SingTel's pretax earnings.

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Telecommunications

- **Maxis Malaysia.** Maxis has acquired already

Ventures/Investments

- **The Islamic** portal said it is advocating tolerance.

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United States/Canada

Internet

- **Google announced the deployment of a new tool that will enable the automatic transfer of information from one personal computer to another.** The offering stipulates though that anyone wanting that convenience must authorize Google to store the material for up to 30 days, a caveat that is seen as a compromise that is ticklish knowing how the present U.S. authorities are demanding their right to know what information people store in their PCs. Yahoo, Microsoft and Time Warner's America Online already have surrendered some of the information requested by the government. All three companies have said their co-operation did not violate users' privacy.
- **Vonage Holdings announced its filing of an application in a bid to raise as much as US\$250 million in a stock offering, a move that makes it the first major Internet telephony player to go public.** In the wake of eBay's acquisition of Skype Technologies, observers have anticipated a Vonage transaction. The company had a net loss of US\$90 million dollars and posted revenue of US\$174 million for the nine months ended September 30. Vonage listed Citigroup, Deutsche Bank and UBS as underwriters for the initial public offering. It has not designated a proposed trading symbol or exchange for its shares. Vonage's IPO filing cites analysts' estimates that there are approximately 900,000 to 1.5 million North American Internet telephony consumer users in 2004, with that figure growing to between 8.2 and 15.3 million by the end of next year.
- **UTStarcom, Inc., a global leader in IP-based, end-to-end networking solutions and services, today reported preliminary financial results for the fourth quarter of 2005.** Net sales for the fourth quarter of 2005 were US\$685.5 million, above Company guidance. Fourth quarter sales include US\$40 million in revenue related to the Softbank BB IPTV contract. Total operating expenses for the fourth quarter were US\$142.3 million. Included in this total are restructuring costs of approximately US\$11 million, as well as a benefit from the reduction in the Company's allowance for bad debt. UTStarcom is a global leader in IP-based, end-to-end networking solutions and international service and support. Founded in 1991 and headquartered in Alameda, California, the company has research and design operations in the United States, China, Korea and India.

Media, Entertainment and Gaming

- **RealNetworks announced its acquisition of European game distributor Zylom Media Group, a move that allows the company to widen both its international operations and its growing business selling "casual games."** Under the deal, U.S.-based RealNetworks said it paid US\$21 million for Zylom, which specializes in distributing simple but popular games like Bejeweled for PC users. Last year, Zylom, which is based Netherlands, earned US\$750,000 on sales of US\$8 million. Real is best known for its media player software, which competes with offerings from rivals like Microsoft and Apple Computer, as well as its Rhapsody music subscription service, which competes with services offered by Napster and Yahoo.
- **The Walt Disney Co announced its decision to sell its 22 ABC Radio stations and network to Citadel Broadcasting in a deal worth US\$2.7 billion.** Disney said its net income went up to US\$734 million, in the quarter to December 31, compared with US\$666 million, in the same period last year. It reported a slight increase in its revenue from US\$8.7 billion in the same quarter last year to US\$8.9 billion. The deal is going to give Disney shareholders about a 52 percent stake in a new company, called Citadel Communications, an entity which combines Citadel's stations with Disney's ABC assets. The deal does not include Disney's ESPN and Radio Disney network.

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- **The new IFC Media Lab of the Independent Film Channel will be providing a new outlet for young filmmakers when it begins airing of short movies produced for its web site.** The IFM Media Lab is expected to play the role of an online community for independent filmmakers who want to create an identity for their works from the many other videos posted on the Internet. Short films of six minutes or less will be posted on the IFC site, and viewers can vote for their favorites. The company said Media Lab will provide a “home and a voice” for new, original filmmakers. The Media Lab has currently 4,000 registered members and 400 films submitted. The company said they look to the site as expanding to cover web journals, links and resources for filmmakers. IFC Companies is a division of Rainbow Media Holdings.
- **DirecTV Group, the nation's largest direct broadcast satellite provider, announced its swinging back to a profit in the fourth quarter, attributing to subscriber growth the increase in its revenue.** The company said it earned US\$121.2 million, compared with a loss in the 2004 quarter of US\$288.5 million. Its revenue posted a 7 percent climb to US\$3.6 billion from US\$3.3 billion. For the full year, DirecTV earned US\$335.9 million, representing a climb from its loss of US\$1.9 billion in 2004. The company had a 16 percent rise in its annual revenue to US\$13.1 billion from US\$11.3 billion.

Software

- **Microsoft Corp announced its expansion plans for its headquarters in Washington.** The company revealed that it will spend some US\$1 billion over the next three years to increase the company campus by a third, with a provision for housing an additional 12,000 workers. By 2005, Microsoft expects its expansion to bring about an increase of 5,000 staff in the year to June.

Hardware

- **Cisco announced its earnings for the three months to January 28 as hitting US\$1.3 billion, compared with US\$1.4 billion in the second quarter of last year.** The leading company in networking equipment said its sales posted a 9 percent rise to US\$6.6 billion from US\$6.1 billion. Excluding one-time items, Cisco said it earned US\$1.6 billion, compared with US\$1.5 billion for the second quarter of fiscal last year. Cisco is predicting that all communication formats will be eventually relying on the Internet. For the present quarter, Cisco said it expected revenue to go up by 10 percent to 12 percent from the year-ago third-fiscal quarter. The company said it is looking to new markets, such as home networking and digital video, for growth. The company announced earlier its acquisition for US\$6.9 billion cash of Scientific-Atlanta, its biggest purchase in six years. Scientific-Atlanta makes set-top-boxes for cable operators. The merger, according to observers, along with Cisco's home networking division, could impact how television is distributed and watched using the Internet. Together with Intel and other venture capital firms, Cisco is also a major investor in the Walt Disney spin-off of MovieBeam, a video-on-demand service.

Europe

Media, Entertainment and Gaming

- **Blizzard Entertainment, Inc. announced that World of Warcraft, the world's leading subscription-based MMORPG, has surpassed the one million customer milestone in Europe.** The result that more than quadruples the previously estimated size of the entire European MMORPG market since its launch in February 2005. In addition, World of Warcraft topped the sales charts for full-price PC games in Europe last year. Worldwide, the game has a growing audience of more than 5.5 million customers. Available in English, French, and German in Europe, World of Warcraft is operated

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by Blizzard's local European office. Established in late 2003, Blizzard Europe is considered the second-largest Blizzard office in the world. Its expansion is a response to the rapid growth of World of Warcraft in Europe. World of Warcraft has steadily grown in popularity around the world since its initial launch in North America, Australia, and New Zealand last November. Following successful launches in Korea, Europe, China and Singapore, World of Warcraft launched in the regions of Taiwan, Hong Kong and Macau..

Mobile/Wireless

- **With a valuation placed at 7 billion euros (US\$8.3 billion), Hutchison Whampoa has temporarily put aside the long-awaited IPO of its Italian 3G mobile phone unit, attributing the decision to weak market conditions for European telecom stocks.** The company disclosed that, in lieu of the offering, it plans to sell 10 percent of the company via a private placement to investors willing to accept 9 billion euros (US\$10.7 billion) in valuation. The delay is the second on the Milan Stock Exchange. A Hutchison official was quoted as saying that the company was forced to shelve 3 Italia's IPO because the market was not "educated" enough for 3G. Market sources are saying that the company was looking at 12 billion euros (US\$14.2 billion) to 15 billion euros (US\$17.8 billion) in enterprise value, or market capitalization plus debt. Goldman Sachs, one of Hutchison's joint global coordinators, said it has agreed to underwrite a pre-IPO private placement to sell to international fund houses 10 percent of 3 Italia for 420 million euros (US\$500.4 million).

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