

# IRG WMR



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

***Week of 12 February - 18 February, 2006***

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## Weekly Highlights

### International

#### *Mobile/Wireless*

- **According to Yankee Group Global Mobile Market Forecast, the total service revenue in EMEA (Europe, Middle East and Africa Region) is seen as growing from 177 billion euros (US\$210 billion) in 2004 to 231 billion euros (US\$253 billion) in 2009.** The growth is forecast to be driven by increased service penetration in Eastern Europe and African emerging markets. According to the Yankee Group report, Eastern Europe and Africa will boost market growth in EMEA. Prepaid services are forecast to continue to drive subscriber growth in EMEA although there will be a modest decline in the share of customers using prepaid services. The sharpest reduction will be in Western Europe, where many operators continue to encourage customers to migrate to contract services. ARPU will continue to decline in most regions over the next four years. For EMEA as a whole, ARPU will fall until 2007, after which it will be flat. Yankee Group predicts that Eastern European, emerging and African markets will drive revenue into the mobile market over the next five years. Yankee Group forecasts growth in several areas, including mobile infotainment services, ring tones and 3G. Mobile infotainment services are expected to get a larger share of revenue as other more attractive audio and video services are deployed. Ring tones will continue to be the largest single application in the infotainment category. The adoption rate for 3G phones will accelerate during the next two years. By the end of 2007, the report sees about 30 percent of customers in Western Europe owning a 3G phone.

#### *Hardware*

- **Gartner Asia-Pacific reported that PC shipments in the Asia-Pacific, excluding Japan, in 2005, posted their highest growth rate since 2000.** Gartner said the number of PC sold in the region saw a 26.2 percent rise to 41.7 million units, from 33.1 million units in 2004. Identified as the top supplier of desktop and notebook system, in terms of volume, were the Lenovo Group, Hewlett-Packard, Dell, Acer, and Founder Electronics, all showing double-digit growth. Leading the market was Lenovo, its sales showing a 28.6 percent rise to 7.8 million units from about 6 million in 2004. Posting the largest growth rates were Acer, with 59.6 per cent, and Founder Electronics, with 45.1 per cent. Asia-Pacific PC shipments, excluding Japan, grew 29.6 per cent in 2000 to 17.3 million units from 13.3 million units in 1999. Personal computer shipments in the mainland in 2005 registered a 29 percent increase to 19.2 million from 14.9 million in 2004, a result that is attributed to a strong fourth-quarter performance. In 2005, the mainland's leading PC suppliers were composed of Lenovo, Founder, Tongfang, Dell, and Hewlett-Packard.
- **Demand for camera phones across Asia-Pacific posted a significant growth of 16 percent in 2005 to hit 191 million units.** With sales from China and India pushing the growth, the total mobile-phone revenue in the Asia-Pacific region went up to US\$34.8 billion from US\$32.5 billion in 2004. Sales of the camera phone in the region posted a dramatic 100 percent surge from 44.1 million in 2004 to 88.4 million units in 2005. An analyst from research firm GfK Asia forecast a 17 percent increase in mobile-phone unit sales for 2006, which is ascribed to a market that promises healthy prospects for camera phones. It is the same market that is far from being saturated and welcomes strong growth for the established companies even as it provides opportunities for firms entering the market, according to the research firm. Based on unit sales, Ningbo Bird, Motorola, Nokia, Samsung Electronics and Sony Ericsson occupy the Top 5 places. In terms of market value, sales of camera phones in the region

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registered a 57 percent rise to US\$23.8 billion from US\$15.1 billion in 2004. By country, China remains the dominant force in the market with its sales of mobile-phones hitting 110.4 million units, compared to 99.4 million in 2004. Thailand posting 83 percent, Cambodia up 108 percent, and India with a 275 percent increase were among those composing the other high-volume growth markets in the Asia-Pacific region.

## Japan

### *Mobile/Wireless*

- **NTT DoCoMo Inc., Renesas Technology Corp., a chip manufacturer, Fujitsu Ltd., Mitsubishi Electric Corp. and Sharp Co. announced their forming an alliance that will jointly develop a platform for next-generation cellular phones that can be used overseas.** The group aims to deploy the platform in handsets to be released in October 2007 and afterward. By sharing cell phone components such as communications chips and operating systems, they hope to stall development costs, with the five firms expected to shell out a total of about 15 billion yen (US\$127 million). Under the partnership, Renesas will be tasked with the development of the system chip for the platform while DoCoMo will provide telecommunications control technologies. The three other firms, all of which are handset manufacturers, will cooperate in other areas, including product evaluation. The group is looking to their new platform being adopted by domestic and foreign cell phone manufacturers.
- **Japan's Sanyo Electric and Finland's Nokia announced a preliminary agreement to form a joint venture** in CDMA mobile phone technology in the second quarter of 2006. The joint venture will have major operations in San Diego and the western Japanese cities of Osaka and Tottori. Sanyo would transfer its cdma2000 mobile phone business to the venture to help keep down its own development costs.

### *Media, Entertainment and Gaming*

- **Hikaku.com Corp., a Japanese operator of an Internet site offering product price comparison, announced that it has received approval to list on the Tokyo Stock Exchange's Mothers Market.** The company will offer 5,600 shares to the public in its initial public offering. Of those, 4,000 are newly issued shares and 1,600 are shares currently held in private. The company will offer all the shares through the book-building method. The company expects to net 1.6 billion yen (US\$13.5 million) from the IPO, the proceeds of which the company said it plans to use for expanding its business and working capital. For the current fiscal year through June 30, the company forecasts a group pretax profit of 251 million yen (US\$2.1 million), net profit of 148 million yen (US\$1.2 million), and revenue of 567 million yen (US\$4.7 million). Monex Securities is the lead underwriter of the offer.

### *Hardware*

- **Iiyama Corp., which manufactures personal computers on a built-to-order basis, is set to produce LCDs for low-priced PCs.** The products are to be marketed by Kojima Co. this spring. This is the company's first production deal since filing for court protection from creditors under the Civil Rehabilitation Law last November. Under a restructuring program led by MCJ Co., Iiyama, under a fresh start, said it is cutting back its sales force and is now equipped with a system enabling low-cost product supply. The company said it plans to cut its costs by outsourcing some of its production to overseas manufacturers.

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- **Funai Electric Co. announced its plans to produce more than 1.8 million LCD television sets in fiscal 2006, a figure that represents a rise of more than 200 percent from the projected output for fiscal 2005.** Under the plans, Funai said it aims to buy more LCD panels from Taiwan's Chi Mei group, as well as form new long-term partnerships with other LCD panel makers in Taiwan and China. Funai purchases all LCD panels used in its products from other companies, mostly from the Chi Mei group. Observers are saying in fiscal 2005, the major Taiwanese LCD panel maker will likely supply some 600,000 LCD panels to Funai. For a continued stable supply amid the growing global demand for LCD panels, Funai revealed its plans to provide Chi Mei with a five-year loan valued at about US\$400. Chi Mei is expected to use the money to expand its LCD panel production facility. The firms are expected to sign a loan agreement soon. Funai has been selling lower-priced LCD TVs mostly in North America. With the announced increase, Funai said it intends to expand LCD TV sales in Europe and Japan.
- **Hitachi Global Storage Technologies announced its plans to ship four million hard disk drives from its new US\$500 million plant in Shenzhen this year.** The facility is expected to contribute about 50 percent of the Japanese firm's disk drive output by 2008, which could be translated to annual production of 70 million. Hitachi said its Shenzhen facility has the capacity also of manufacturing smaller drives used in laptops, digital music players, video cameras and other consumer electronics devices. Hitachi already employs 5,500 workers in head and disk assembly production in Shenzhen. The decision to locate its factories near its mainland customers is seen as diminishing the lead times and creating supply chain efficiency.

## *Semiconductors*

- **Toshiba Corp. announced the development of a way to reduce the power consumption of DRAM memory on 65nm system chips.** The redesigned DRAM consumes only one-eighth the normal amount of power in standby mode, a result that means longer battery life for products such as cell phones. These modifications bolster the chip's capacity to compensate for errors by a factor of 100, which then allows the refresh operation to be performed less often.

## *Software*

- **Sumitomo Electric Information Systems Co., a wholly owned subsidiary of Sumitomo Electric Industries Ltd, said it has developed and begun marketing software for IBM Japan.** Cutting Java programming time by as much as 90 percent, the software is called Rakuraku Framework 2 Version 3.1. The new software is compatible with IBM's proprietary i5/OS operating system. It has 350 modules for applications, which allow Java software to be created with a minimum of programming. The i5/OS operating system is considered stable because it is combined with a database. It is widely used for enterprise business systems at small and midsize companies. The new software is being sold by Nippon Information and Communication Corp., a 50-50 venture between Nippon Telegraph and Telephone Corp. and IBM Japan, at a price of 10 million yen (US\$85,000).
- **The Sumitomo Corp. group announced its acquisition of a stake in MySQL AB in a bid to strengthen its database software business.** The company did not disclose the purchase amount, but observers place the value of the deal at around 100 million yen (US\$846,000). The Sumitomo group aims to strengthen its alliance with the Swedish company through the equity participation, with group firm Sumisho Computer Systems Corp. selling MySQL software in Japan. Presidio STX, a U.S. venture capital firm affiliated with Sumitomo, bought some of the US\$18.5 million in new shares issued by MySQL. Intel Corp. of the U.S. and SAP AG of Germany were among others who bought the shares. MySQL, set up in 1995, is the world's largest developer of open-source database software used in

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search engines and data administration systems. It established a Japanese unit earlier this year to explore the local market.

- **BSP Inc., a Japanese developer of computer system software, said it has received approval to list on the JASDAQ Securities Exchange.** The company will offer 780,000 shares to the public in its initial public offering. Of those, 500,000 are newly issued shares and 280,000 are shares currently held privately. The company will offer all the shares through the book-building method. BSP said it expects to raise about 2 billion yen (US\$17 million) from the IPO, which will be used for the development of customer management systems, software products and other steps. For the current fiscal year through March 31, BSP forecasts a group pretax profit of 1.1 billion yen (US\$9.3 million), a net profit of 668.2 million yen (US\$5.6 million), and revenue of 4 billion yen (US\$33.8 million). Last fiscal year, it posted a group pretax profit of 1 billion yen (US\$8.4 million), a net profit of 399.3 million yen (US\$3.3 million), and revenue of 3.7 billion yen (US\$31.3 million). Nomura Securities, the lead underwriter of the offer, also has a green-shoe option to offer up to an additional 100,000 shares in the event of exceptional demand.

## *Telecommunications*

- **Nippon Telegraph and Telephone Corp. disclosed its plans to set up an office in Beijing that will serve as the NTT group's representative unit in China.** The office is expected to boost linkages among the local operations of three NTT group companies – NTT DoCoMo Inc., NTT Communications Corp. and NTT Facilities Inc. The facilities are seen also as providing venues for the exchange of views with the Chinese government and local telecommunications firms as well as for designing and building of corporate telecom systems that blend cellular and fixed phones. China is the world's largest telecom market, with about 400 million cell phone subscribers. Observers say NTT has been unable to fully break into the China market, which is considered the world's largest telecom market.

## **Korea**

### *Internet*

- **Daum Communications Corp. announced the opening of its global media center on Jeju Island, the completion of which is seen as a major step in Daum's long term relocation project announced in March 2004.** Daum said about 150 employees will be working at the new site, which will serve as the company's global headquarters as well as a research and development center to develop new media platforms. The global media center is built on a 132,000 square meter lot. A company official, however, said Daum has yet to decide whether it will move its main office from Seoul to the new island location. In an earlier announcement, Daum has expressed some reservation about a complete relocation, preferring to leave marketing and advertising divisions in Seoul. The move of the company is said to be in tune with government initiatives to develop Jeju as an international trade and finance center. In a separate report, Daum Communications Corp., South Korea's second-most-popular Internet portal, reported for its fourth-quarter sales an increase of more than 20 percent from a year earlier. Sales totaled 58.2 billion won (US\$60.1 million) in the October-December period, up 23.9 percent from a year earlier. The portal company also posted an operating profit of 10.1 billion won (US\$10.4 million), up 268.5 percent from the previous year. Including earnings from its subsidiaries, sales grew 9.5 percent to 122.6 billion won (US\$126.7 million), while it posted an operating loss of 1.3 billion won (US\$1.3 million), a decline from 65.1 billion won (US\$67.2 million) a year ago.



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- **On Off Korea, a private credit information service, disclosed that hackers got away with tens of thousands of ID numbers from popular web sites between Feb. 1, 2004 and Feb. 15, 2005.** The claim comes a day after reports said that hackers set up hundreds of accounts in the online game "Lineage" using stolen names and ID numbers. The company said that a total of 72,109 IDs were stolen from 850 websites during the period. NHN's game portal Han Game saw the biggest security leak with 2,571 cases of ID theft, followed by news site eRunnews (2,032), CJ Internet's game portal Net Marble (1,861). Online game site Norazo (1,702), game website On Game Net (1,600) and, Neowiz's game portal Pimang (1,589) came next. The country's Information Ministry said it is going to take "comprehensive steps" within the next week to deal with security leaks and their fallout.
- **Sources at the Korea Communications Commission, the industry's fair competition regulator, said it is acting on increased reports that broadband Internet operators have been engaged in illegal business activities.** Firms are said to engage in these activities in order to win new subscribers or prevent existing subscribers from moving to a rival company. Alleged irregularities include paying for penalties that would be imposed on a new subscriber for contract breach with his or her formal operator of choice, with penalties running to about US\$110. The Korea Communications Commission has launched an industry-wide investigation into local Internet service providers, with the investigation looking in on whether subsidies or discounts were given to draw customers from competitors.

## *Mobile/Wireless*

- **Sources from the South Korean government said the government set to lower the limit on subsidies.** This is expected to result to six out of 10 mobile phone users in the country that may soon be able to get cheaper handsets from service operators. Since March 2003, the government has banned service providers from offering subsidies to subscribers as their discount offers intensified competition. The regulation only allowed operators to offer cheaper handsets to long-time clients who maintained membership for more than three years. Now, lawmakers are looking into lowering the threshold to 18 months. If approved by the National Assembly, the plan will enable up to 24 million mobile subscribers to benefit from the financial subsidies.
- **WiderThan, a firm that enables mobile operators to offer complete music services to their mobile subscribers, announced its partnership with Beep Science, a leading provider of mobile Digital Rights Management software.** The agreement is expected to enable European operators to securely provide users with instant access to full track Music On Demand (MoD) services on their mobile phones. The alliance brings together WiderThan's WiderMusic Service Platform and Beep Science's end-to-end Open Mobile Alliance (OMA) Digital Rights Management (DRM) high security protection for music and video content. With the agreement, the companies are seen as enabling carriers to launch stable and cost-effective digital music services. Together with SK Telecom, WiderThan launched the first ubiquitous mobile music service in Korea using SKT-DRM which is compatible with OMA standard DRM. WiderThan also provides the support infrastructure for Verizon Wireless' Microsoft-DRM based music service in the U.S.
- **Citing Strategic Analytics, a market research firm, LG Electronics said it has gained the No. 1 place in the world CDMA market and the No. 2 in the North American handset market, including both CDMA and GSM.** By selling 30.4 million CDMA handsets, the company became the world's largest CDMA handset supplier, gaining in the process 21 percent of the market share. LG announced that it shipped 26.1 million cell phones, both GSM and CDMA, and posted 17.3 percent market share in North America, ranking second to Motorola. Nokia and Motorola trail the two companies. LG said it occupies the top slot by supplying 20.6 million units in the North American

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CDMA market. It is No. 4 in the regional GSM market by selling 5.5 million units through partnership with major operators such as Cingular.

- **According to the result of GSM Awards 2006 announced at the 3GSM World Congress, Nokia was awarded the Best GSM Handset.** Nokia competed with Samsung Electronics' Samsung SGH-i300 and SGH-D600, Sony Ericsson K750 and W800 Walkman Phone. The most nominated, Samsung also had its SGH-Z510 nominated for the Best 3GSM Handset, along with Nokia N90, N70, Sony Ericsson K600 Family and Motorola RAZR V3x. The winner was Motorola RAZR V3x. Nokia N70 was awarded the honor of Highly Commanded Product.
- **SK Telecom Co., the country's largest mobile carrier, announced its signing of a development agreement with Germany-based Coding Technologies, a leading developer of audio compression for mobile, broadcasting and internet, in a bid to enhance its ring-back-tone service.** Under the agreement, SK Telecom will customize and adapt Coding Technologies' aacPlus audio codec to its existing cellular ring-back-tone named "coloring." Coloring allows users to convert typical ring tones to their preferred tone sequences. The German company has the aacPlus, the technology that is said to be more efficient than MP3 in converting digital music files to fit them into mobile settings. The Korean firm has already employed the audio codec technology in its mobile music download service called "MelON".

## *Hardware*

- **According to Samsung Electronics, it must exert a lot of marketing effort to survive in a highly competitive environment.** The company attracted a significant interest in the 3GSM World Congress in Barcelona as it is one of only a few companies making HSDPA (high-speed downlink packet access) phones or mobile TV-enabled handsets. The HSDPA services are to start yet in several countries this year. The company revealed that it aims to be the No. 1 in the HSDPA and mobile-TV handsets market, which has emerged as the hottest topic in the global mobile communication industry. Korea started offering satellite and terrestrial DMB services last year, and European countries and the U.S. will commercialize their platforms this year. Nokia supports DVB-H and Qualcomm Media Flo.

## *Ventures/Investments*

- **KT Corp. disclosed that it is strengthening its real estate business, with the aim of making up for the recent losses the company experienced in its communication services business.** The company said it is looking to developing idle lands in the country. Shortly after his appointment last year, the company's new chief executive was observed as demonstrating keenly his intentions in the real estate business. Since entering the real estate development business in March 2003, KT has built apartments on idle land while renting vacant offices. This realty business generated almost 70 billion won (US\$72 million) in revenue in 2004 and 90 billion won (US\$92.1 million) in 2005. This year the company hopes to make 150 billion won (US\$154 million) from real estate, partly by selling three "intelligent" apartment complexes in the greater Seoul area by incorporating its advanced technologies for home automation, remote medical treatment and home banking.

## **China**

### *Media, Entertainment and Gaming*

- **Sorun Corp., a systems developer, and Digital Hollywood Corp., a human resources development company, announced their forming of a joint venture in April in Tianjin.** With the



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aim to provide educational courses on animation and video content production, the venture will be joined by Nankai University, a local college, in September. The university will serve as the operator of a content-production graduate course to be launched by the university in September. The venture will have a capitalization of 210 million yen (US\$1.7 million), of which Sorun will provide 81 percent and with Digital Hollywood and the university each putting up 9.5 percent. Digital Hollywood said it will adapt the animation and video content production lectures it provides in Japan to the needs of Chinese students. The company will also provide lecturers for the course. Sorun said it will hire graduates from the course for animation production work slated to begin in China in the near future. With the merged entity, the companies said they are aiming at 1.3 billion yen (US\$11 million) in cumulative sales during the first five years.

## *Internet*

- **UTStarcom Inc., a global leader in Internet protocol-based, end-to-end networking solutions and services, announced it is entering into contracts with China Telecom, for the deployment of its RollingStream end-to-end IPTV solution in two cities in the Fujian Province in southern China.** According to the firm, the two cities – Fuzhou and Quanzhou – represent opportunities for the growth of IPTV, with less than 5 percent of the population in each city having access to broadband services. The initial deployment in Fuzhou, the capital city of Fujian Province with nearly six million residents, has capacity of 12,000 concurrent media streams. The firm said it plans to offer first 70 channels of live broadcast television with "time-shifting" capabilities, translated to an estimated 3,000 hours of video-on-demand. The operator is targeting 50,000 users by the end of 2006. The initial deployment in Quanzhou is aimed at supporting 37,000 concurrent media streams and will encompass the city's main districts. Initially, there will be 70 channels of live broadcast television with "time-shifting" capabilities and about 5,000 hours of video-on-demand. China Telecom is aiming to secure 80,000 users by the end of 2006.
- **China's online advertising market hit 3.1 billion yuan (US\$385.1 million), which is a growth of 77.1 percent last year compared with that of the previous year, according to iResearch.** The report indicated that online ads in total ad market went up from 0.5 per cent in 2001 to 2.3 per cent last year. The results show online ads beating magazine ads, which posted 1.8 billion yuan (US\$223.6 million). Online ad comes closer, in terms of results, to radio broadcast ads with its 3.4 billion yuan (US\$422.4 million). The report said Sina's online ads income was 680 million yuan (US\$84.4 million) last year, grabbing 21.7 percent of market share, leaving Sohu with 15 percent, NetEase 8 percent, QQ 3.8 per cent, and TOM online 2.2 percent. Adding all the online ads of the five portals contributed 53.4 percent of total online ads, a figure representing a 20 percent decline year on year. Other figures show real estate, IT products and online services identified as having the top three sources of clients. Samsung's spending on online ads, totaling 60.3 million yuan (US\$7.4 million), placed it at No. 1, followed by China Mobile and NetEase.
- **In a move that points to the Internet ushering the age of all-new Chinese domain name, Chinese now can apply for Chinese domain name to be used in searching.** They can do this through Microsoft's IE7 browser that supports "Chinese.cn". Under this development, enterprises will be able to have direct communication with 100 million Chinese Internet users. Analysts are saying that the Chinese domain name will have impact on every Chinese, with its use providing greater Internet access. An official of MainOne.cn, a well-known Internet service provider in China, stresses that the use of Chinese for the management of local domain names assures the security of national information and national defense. The firm also said that as the body authorized by China Internet Network Information Center (CNNIC), MainOne will go all out to popularize Chinese domain names. In

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China, the registered national domain name CN has hit almost 1.1 million, making it Asia's largest domain name.

- **People's Daily Online announced the launching of Quianqquo, recognized as the first blog offered by a news website in China.** From Qiangguo Blog come more than ten channels at the homepage, enabling users to post texts and images on the blog. The site also offers templates that will allow users to make personalized pages. The blog has some 2,000 registered users. It has published more than 6,000 articles and 2,000 images.
- **China Finance Online Co. Limited, a leading Chinese online financial information and listed company data provider, announced its financial results for the fourth quarter and full year ended December 31, 2005, with its net revenues for the quarter posting an 8 percent decline to US\$2 million, compared to the same period in 2004.** Its net income was US\$1 million for the quarter, representing a 43 percent decline from US\$1.8 million for the same period in 2004. Its net revenues posted a 24 percent growth to US\$7.4 million from US\$6 million in 2004. Its net income rose by 1 percent to US\$4.6 million for the full year 2004.

## *Mobile/Wireless*

- **The country's Ministry of Information Industry (MII) announced its selection of China Telecom, China Netcom and China Mobile to build TD-SCDMA pre-commercial networks for testing.** According to the study of Goldman Sachs on China's mobile phone market, China Telecom, China Netcom and China Mobile are to build a total of about 100 networks separately in different cities, each project covering some 3,000 people. The networks are expected to be completed in March and tests are to be finished by the end of June. Under this plan, mobile operators, especially China Mobile, must cease the construction of their WCDMA network tests. In the study, Goldman Sachs also commented that it is unlikely for the TD-SCDMA technology to be operative by the later half of 2006, mainly because the homegrown technology is not as mature as WCDMA, and would thus be less profitable.
- **China Mobile (Hong Kong) Ltd. said it expects its strong growth in subscription in China to continue even as it looks to opportunities overseas.** According to its top official, China Mobile's number of subscribers went up to 42 million during 2005, with the last quarter of 2005 accounting for 3.9 million of the increase. The company said it is aiming to manufacture cheaper 3G handsets, hoping to tap the country's base of around 250 million subscribers in China together with the steady and strong trend in the increase in its number of subscription.
- **China SMS, a leading short message service (SMS) provider, is expected to go public in Hong Kong in the first half of the year.** According to an official of the Hong Kong-listed Sino Katalytics Investment Corp., the listing of China SMS is part of Sino Katalytics Investment's strategy of streamlining its assets. Sino Katalytics Investment has invested HK\$5 million (US\$625,000) in a 10 percent stake in China SMS a year ago. China SMS derives its earnings by providing services mainly to corporate customers.
- **T-Bay Holdings Inc. said its earnings posted growth for the three-month and nine-month periods ended Dec. 31, 2005.** The company said its net income for the three months ended Dec. 31, 2005 was US\$4.7 million, as compared to the net income of US\$2.5 for the same period in 2004. For the nine months ended Dec. 31, 2005, it registered net income of US\$8 million as compared to US\$3.7 million for the same period in 2004. T-Bay conducts its mobile phone design business through Shanghai Sunplus Communication Technology Co. Ltd., a subsidiary it owns 95 percent. The subsidiary provides total solution and design services to leading mobile handset brand owners in China.

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- **China.com disclosed that it is seeking to be among the top three players in the country.** The mainland mobile-value-added service provider has a wide array of products that include SMS, multimedia messages, mobile Internet and interactive voice response services to mainland mobile phone users through partnerships with operators China Mobile and China Unicom. Ranked No. 1 in the sector is Tom Online, the Internet portal of Hutchison Whampoa. He said he would be interested in those companies that either bring new services to the company or boost its subscriber base. China.com posted HK\$108 million (US\$14 million) in revenue in the third quarter of last year.

## *Telecommunications*

- **With the expansion of its services in recent years, ZTE Corp., a leading global provider of telecoms equipment and network solutions, announced that it posted sales of over 150 million lines of wireless infrastructure products by January 2006.** Of these sales, more than 30 million lines were CDMA equipment. ZTE's wide range of product portfolio now includes CDMA, GSM, PHS, 3G (WCDMA, CDMA2000 and TD-SCDMA), and total network solutions ranging from systems to terminals. ZTE's wireless capacity in CDMA equipment had already gone beyond 30 million lines and includes over 100 operators across more than 60 countries. The expansion has ZTE in some 30 3G CDMA2000 EV-DO networks built in more than 20 countries.

## *Software*

- **The province of Liaoning exported US\$290 million worth of computer software products in 2005, according to its Department of Foreign Trade and Economic Cooperation.** The figure indicates a growth of 45 percent year-on-year, as reported by the Special Commissioner's Office in Dalian, Ministry of China. Liaoning's software products primarily were taken to places that included Japan, the U.S., Russia and Turkey in 2005. Its major export products are office automation software, mobile software and automobile software. At present, the cities of Shenyang and Dalian remain the main production bases for software products.

## *Hardware*

- **Netac, a flash-memory products maker, disclosed its filing of a lawsuit against United States rival PNY Technologies for alleged infringements of one of its patents.** The Shenzhen-based Netac, a leading maker of mobile storage and digital devices, asked for the suspension of sales of PNY's flash-memory storage devices. Observers say the case is rare because it is a Chinese firm now suing for patent and copyright violations and brings about a situation indicating that Chinese companies are slowly seeing the value of protecting their products and technologies. .

## **Taiwan**

### *Semiconductors*

- **United Microelectronics Corp (UMC), the world's second-largest contract chip manufacturer, received a fine of NT\$5 million from the Taiwanese government for assisting a mainland firm without approval from the country's authorities.** The country's economic ministry stated that UMC did not get any permission before the chipmaker assisted in the formation of Hejian Technology in 2001. With the assistance, the Taiwanese authorities said Hejian offered a 15 percent stake in the company, estimated at about US\$110 million, a move that is seen as violating the laws on ties between Taiwan and Mainland China. UMC disclosed that before it files its appeal it will wait for a formal notice from authorities.

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## Hong Kong

### *Mobile/Wireless*

- **With Hutchison Telecom increasing its 3G service price plans for new subscribers to between HK\$128 (US\$16) and HK\$538 (US\$70) from between HK\$123 (US\$16) and \$533 (US\$7) , observers are saying that operators of 3G mobile services in Hong Kong will tend to switch their focus from price to content and services.** Hutchison Telecom forecasts its 3G users to go beyond 500,000 later this month. Currently, subscriptions to its services number at 485,000 users. The firm said it intends to follow up on what it calls the successful reception of its music content bundling with the latest 3G handset. In a move that is seen as a response to the price hike made by Hutchison, Hong Kong CSL, the second-largest mobile operator in Hong Kong, announced the unveiling of its new 3G mobile television service. The offering will allow users to view nine television channels such as news and music videos through their 3G video phone. CSL is known for introducing a mobile television service two years ago with its Video World service, which allowed users of 2.5G and 3G handsets to view video clips on an on-demand basis. Given the intense market competition, CSL said it was looking to the new services as giving it more revenue. CSL said it had about 50,000 3G subscribers, a figure almost equal to what rival SmarTone-Vodafone has.
- Hutchison Whampoa announced it will delay the long-awaited IPO of its Italian 3G mobile unit, citing weak market conditions for European telecom stocks. Canning Fok, Hutchison Group managing director and 3 Italia's chairman, said they think a valuation of 7 billion euros (\$8.4 billion) for the IPO of 3 Italia is "too low" and to push through the listing would be a disservice to shareholders.
- **Under what it dubbed the "3G Trial" promotional plan, PCCW disclosed that it has drawn in some 310,000 participants.** The plan is part of the promotion of its new 3G mobile services. Under the plan, more than 45,000 users were registered and received their handsets connected to PCCW's 3G mobile service. The move is part of PCCW's plan to attract customers from 3G networks of CSL, Hutchison Telecommunications and SmarTone-Vodafone. PCCW's offering composed of voice services, high-speed downloads and mobile entertainment, was coursed through its subsidiary, Sunday Communications. The plan had PCCW offering free use of a 3G handset for six months complete with up to 10,000 free voice minutes per month as well as unlimited text and multimedia messaging with other PCCW mobile users. The firm is promising to deploy more bundled offers, in phases, in a bid to boost its 3G offering.

## Singapore/Malaysia/Philippines/Indonesia

### *Telecommunications*

- **Pacific Internet**, a Singapore-based internet access services provider, **reported 2005 full year earnings.** Full year net income increased to US\$6.5 million or 49 cents per share, from US\$6.1 million, or 45 cents, in 2004. Quarterly income rose to US\$2.6 million from US\$2.1 million the year before. Revenue was nearly flat at US\$102.5 million versus US\$102.1 million last year. Quarterly revenue totaled US\$27.3 million, up 7 percent from \$25.6 million a year earlier. According to the Company, increase in revenue from broadband subscribers and value-added services helped counter a continued slide in dial-up revenue with its overall customer count dropped 20 percent to 470,820.

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- **ePLDT, Inc., the information and communications technology arm of the Philippine Long Distance Telephone Co. (PLDT), announced the acquisition of a 60-percent stake in Level Up! Inc, the leading publisher of online games in the country.** Level UP! is attributed a market share of about 80 percent. Under the deal, Level Up! International Holdings Pte. Ltd., the parent company of Level Up!, will retain responsibility for its day-to-day operations and technical management. A top official of the company said that the acquisition by .ePLDT of the online game publisher is part of its strategy to bring more content into play. The acquisition is expected to boost the position of ePLDT as one of the leading content aggregators in the country. No details on the value of the acquisition were disclosed.

## *Information Technology*

- **Dell said it has initiated the operations of its call centre in the Philippines.** The call centre provides customer and technical support to Dell computer users abroad. Dell plans to increase its staff to 700 shortly, it added. Dell explained its choice of the Philippines for the location of its call center given the country's strong language and communications skills coupled by what Dell described as its strong telecommunications structure. The Philippines has lately emerged as an important site for call centers and business process outsourcing, a sector estimated to generate revenues of US\$1.1 billion.

## **United States/Canada**

### *Internet*

- **Tut Systems, Inc., an industry leader enabling the delivery of next-generation data and video services over broadband networks, announced the expansion of its distribution relationships in the Chinese telecommunications market through a relationship with the CETC-IPTV, a firm that is a part of CETC (China Electronic Technology Group Corporation).** CETC-IPTV has been providing high-technology solutions to telecommunications and cable operators throughout mainland China and has more than 50,000 employees. Under the partnership, CETC-IPTV will use its vast sales network and system integration capabilities throughout China to deliver IPTV solutions powered by Tut Systems Astria content processor (CP). CETC-IPTV is responsible for researching, consulting, integrating, and selling solutions for the rapidly expanding Chinese IPTV market. In November 2005, Light Reading predicted that China will account for more than 25 percent of the world's IPTV subscribers by 2010. Tut Systems, Inc. delivers advanced content processing and distribution products as well as comprehensive system integration services for deploying next-generation data and video services over broadband networks. It is headquartered in the U.S., and maintains regional offices across North America, Europe and Asia.
- **The U.S. government said it has set up a special operation aimed at looking into the restriction of Internet freedom by regimes described as repressive.** Called the Global Internet Freedom Task Force, the body would focus on the "foreign policy aspects of Internet freedom", even as it singled out China as a particular country. The source said the body would assess the technology used in restricting access to political content as well as the laws that are made the basis for restricting the flow of information. The formation of this task force follows the criticisms about Google and Yahoo giving in to China's demand for censorship. The report also said that the two U.S.-based Internet giants are going to face investigation regarding their dealings with China. Taking the other side, civil liberties groups in the U.S. are accusing the present administration of posing threats to rights of privacy.



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- **As a response to its critics about its working with the Chinese government, Yahoo has issued a statement about the need for online freedom.** Yahoo said it is deeply concerned by the move of the governments to “restrict and control open access to information and communication.” Yahoo stated its commitment to a free Internet. Lawmakers and activists are attacking Yahoo and other Internet companies, including Google, for acceding to limitations on free speech imposed by China in particular. The present situation leaves Yahoo and Google as well as MSN of Microsoft caught in between the principles of Internet freedom and the massive Internet market of China.
- **MySpace, a popular social networking site, announced the launching of a mobile service that will enable users to read and post to the site for free.** The service is being launched by Helio, a joint venture of Earthlink, an ISP, and SK Telecom. The popularity of MySpace is seen in its more than 54 million users, a popularity that resulted to the site being acquired by the media group News Corp for US\$580 million. MySpace has a South Korean equivalent called Cyworld. It is equally popular and owned by SK Telecom. To be launched, too, are Helio’s two phones called “Hero” and “Kickflip”, both devices manufactured by Pantech and VK Mobile. Helio’s phones belong to the so-called “mobile virtual network operator” (MVNO), devices that are not linked to cellular networks. These phones have to go through the high-speed networks of Sprint Nextel and Verizon Wireless.

## *Software*

- **Known for its Norton computer-security software, Symantec has joined the SaaS (software as a service) trend.** With the software delivered over the Internet, users will be spared from buying and installing software on disks. Computer users will not have to think about the program as going out of date. The new scenario will have software companies distributing and managing their products through the Internet, with no user intervention required. SaaS is there already in the e-mail, with free online e-mail services such as Google's Gmail, Microsoft's Hotmail and Yahoo's Yahoo Mail running within a web browser. MMORPGs such as "World of Warcraft" and "EverQuest II" are another form of SaaS. Observers are saying that security software has been on the SaaS for years already. Both Symantec and its competitors, most McAfee, are constantly sending out updates to their anti-virus, firewall, anti-spam and other products. Symantec, however, says that its offering called Genesis should be seen as more than automatic updates; it is a “single, integrated software application” provided to consumers as a service. Symantec has not yet given information on the pricing for Genesis, which will have a different name when it goes to market. Symantec’s entry into SaaS puts the firm in competition with Microsoft.
- **Oracle announced the acquisition of Sleepycat Software, which provides development tools used in open-source databases.** The acquisition of privately held Sleepycat is seen by observers as Oracle’s effort to boosting its product range via acquisitions. In 2005, Oracle acquired PeopleSoft Inc for US\$11.1 billion and Siebel Systems for US\$5.8 billion. With the acquisition, Oracle is demonstrating its interest in the open-source software movement, which allows developers to distribute their products for free over the Internet. Oracle is reportedly in the middle of talks with two other open-source software makers, Atlanta-based JBoss and California-based Zend Technologies, with the end in mind of acquiring the said companies.

## *Semiconductor*

- **Applied Materials announced a 51 percent decline in its first quarter profit as it posted a net income of US\$143 million.** In 2005, the world’s largest chip-equipment manufacturer, reported earnings of US\$289 million. Its revenue posted a 4 percent rise to US\$1.8 billion, up from US\$1.7 billion a year earlier. The result goes beyond the US\$1.8 billion expected by analysts. The firm reported



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a 22 percent increase in the orders it received to US\$2 billion from a year earlier as demand went up for its equipment used to make memory chips for portable music players, digital cameras and mobile phones. Applied Materials supplies machines that produce chips used in computers, flat-screen televisions and other consumer electronic devices.

- **Texas Instruments (TI), the leading maker of chips used for mobile phones announced the development of a more powerful processor that will allow high-quality video and other intensive tasks on wireless devices.** The company disclosed that the new technology will bring about the enhancing of the quality of phone camcorders. With it, users can also download high-quality movies to their phones that could be replayed on a TV screen. TI said it will begin the shipment of the new processors to their manufacturers in a few months. The processors are expected to be out in the market, on the phones, by next year. Without revealing sales of individual products, TI announced that the increase in its revenue for wireless products, attributed mostly to components for advanced phones, amounted to US\$400 million.

## *Hardware*

- **Dell Inc. said its fiscal-fourth-quarter profit went up by 52 percent, pushed by growth in sales and services outside the U.S.** For the quarter ended Feb. 3, the company reported net income of US\$1 billion, up from US\$667 million a year earlier. The company said its revenue posted a 13 percent growth to US\$15.1 billion from US\$13.4 billion a year earlier. Its sales outside the U.S. accounted for 43 percent of its overall revenue for the fourth quarter, a 40 percent increase in the year-earlier period. In Europe, revenue went up by 18 percent to US\$3.7 billion, while Asia Pacific-Japan revenue was up 21 percent to US\$1.7 billion. A top official described the company's success in countries such as China and Germany as an indication that its direct-sales business model is preferred by people in all regions. In past years, Dell gained profits by undercutting rivals such as Hewlett-Packard with lower prices. But recently the company has been affected by falling personal-computer prices. In the fourth quarter, Dell shipped 10.2 million units world-wide, a 15 percent increase from a year earlier. Its fourth-quarter revenue from the American region posted a 10 percent increase to US\$10 billion from US\$9 billion. The company said its enterprise business showed a 21 percent increase, a result that was brought about by an increase of 41 percent in storage revenue to about US\$600 million. For the fiscal year that ended Feb. 3, Dell said it earned US\$3.5 billion, compared with \$3 billion a year earlier. Its revenue rose 14 percent to US\$60 billion.
- **Hewlett-Packard (HP) announced a 30 percent climb in its fiscal first-quarter profit, with the firm ascribing the increase to the cost-saving benefits it generated from its restructuring and strong sales involving almost all of its products.** For the three months to January 31, HP earned US\$1.2 billion compared with a profit of US\$943 million in the same period last year. Its sales surged 6 percent to US\$22.7 billion in the first quarter from US\$21.5 billion from the year-earlier period. Excluding one-time items, HP earned US\$1.3 billion compared with a profit of US\$1.1 billion in the first quarter of fiscal last year.
- **Apple Computer announced that it would begin shipments of its much anticipated laptop model powered by an improved Intel chip.** Dubbed the MacBook Pro notebook computers, the product is fitted with 15-inch screens and built-in video cameras and will have the faster Intel Core Duo chips. The presence of the Intel chips is a result of the partnership between the two U.S.-based technology firms. The product is expected to be priced at US\$1,999.

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## *Ventures/Investments*

- **Sanyo Electric Co. announced that it entered into a cell phone manufacturing agreement with Nokia Corp. to set up a 50-50 joint venture in the U.S. as early as next autumn.** Under the agreement, Sanyo plans to transfer its entire development, manufacturing and sales operations relating to CDMA2000 3G cellular phones to the joint venture and work with Nokia, the world's leading mobile phone company, in a bid to increase its sales in the North American market. The company said it will independently continue operations for 3G handsets supporting the W-CDMA standard. Observers are saying that with Sanyo currently undergoing a business rehabilitation program, the company appears to have decided to concentrate its resources on W-CDMA handsets for the better management of its tight financial situation. For Nokia, the joint venture will likely help it absorb Sanyo's know-how, particularly in the development of thin handsets. Sanyo's sales of cellular phones are predicted to reach 12.5 million units in fiscal 2005. The two firms are expected to announce soon that they have reached a basic joint venture agreement, with the new entity expected to be located in San Diego, where Sanyo maintains a production base.

## **Europe**

### *Internet*

- **Greenfield Online, an online market research agency, and its European subsidiary Ciao announced the launching of panels in Japan, South Korea and China.** The new panels are expected to give Greenfield and Ciao's clients worldwide access to respondents for market research in the region. The company disclosed that it has already drawn in some 35,000 Asian respondents. With survey sampling that covers health, automotive, lifestyle, media, IT and telecoms, personal finance and employment details, the company noted that the Asian market represents significant opportunities for growth. For each country, the firm and its subsidiary have set up local language platforms, web sites and surveys. It has also developed local currency incentive systems and appointed local panel managers.

### *Telecommunications*

- **Siemens revealed its plans of dismantling its telecommunications activities by way of selling them or having them in a joint venture with partners.** The source said there were earlier talks with Nokia that did not prosper because the Finnish firm was interested only in Siemens' mobile networks activities, which happens to be the only part of the business that is profitable. Siemens was reportedly negotiating with several buyers, including US firm Avaya, regarding the sale of the loss-making Enterprise business unit. The unit specializes in communications systems for corporate customers.

### *Software*

- **In what is considered by the company as the record first time it is providing a browser for a game device, Opera Software announced that it is providing Internet browsers for Nintendo's dual-screen handheld game device.** With the software, Opera said users would be able surf the Internet using the two screens of the Nintendo device. The browser will initially be made available to consumers in Japan. No estimate was given about the value of the deal.

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## *Mobile/Wireless*

- **BT Group of Britain announced its signing up of Virgin Mobile UK as its first customer for a service, a move that would make Virgin Mobile the first European firm to launch mobile television on cell phones.** Under the deal, Virgin Mobile will be using BT's Movio wholesale mobile television product that will allow the mobile operator to offer up to five digital television channels and 350 radio channels on mobile phones. Studies conducted in Britain indicate that customers are willing to shell out extra to have their TV and radio on their mobile phones. BT Movio functions by broadcasting signals that will be picked up by a microchip inside the phone.

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