



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

Week of 26 February - 4 March, 2006

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Weekly Highlights

International

Mobile/Wireless

- **Inexpensive laptops are viewed as tools for developing world's access to the information and communication technology that has brought about prosperity to certain countries.** Recognizing this, groups have come up with initiatives to reinvent the portable computer as a low-cost, appropriate technology. Another hi-tech tool is now getting the attention that laptops were getting as a tool for development – the mobile phone. According to the London Business School, about 10 percent increase in mobile penetration in a developing country can push that country's economic growth rate by 0.6 percentage points per year. This is good news in the face of mobile phones being more affordable than laptops. The price of mobile phones has been going down recently, with The GSM Association (GSM), a trade association representing more than 680 mobile operators around the globe, responsible for the reduction in the wholesale cost of entry-level mobile handsets from about US\$100 to below US\$30 in 18 months. Statistics show that the global mobile industry is now connecting more than 1 million people a day.

Internet

- **According to research firm eMarketer, online gambling revenues hit US\$10.9 billion worldwide in 2005 amidst country regulations that rendered betting illegal.** The study said global Internet gambling revenues posted a 28 percent growth last year, a growth calculated after the amounts paid to winners were deducted. In the U.S., surveys indicated varying results on the profile of the online gambler. A particular report registered as many as 15 percent of all U.S. Internet users going to gambling or sweepstakes sites at least once a month. A Harris Interactive survey, however, places about 95 percent of U.S. residents as having never spent money at online casinos or other betting sites. As to the legalization of online gambling in the U.S., the survey said about 53 percent declaring it should remain banned in the U.S., with about 47 percent in favor of legislation that would legalize online betting.

Japan

Internet

- **The Softbank Corp. group said it would purchase a stake of about 20 percent in U.K. betting firm The Sporting Exchange Ltd. (TSEL) for an estimated 50 billion yen (US\$429.4 million) possibly by April.** To do this, Softbank said it would create an investment fund to buy 15-20 percent of the outstanding shares in TSEL from its shareholders, before buying 3 percent of new shares to be issued by the U.K. firm, a move that will increase the Softbank group's stake to 18-23 percent. Some group firms of the Japanese company are also expected to join the investment. According to Softbank, the move is part of its investment activities even as it talks of a possibility that Softbank and the U.K. firm will team up in an IT-related area. TSEL has referred to Softbank as a strategic partner. TSEL owns Betfair, an online betting exchange with a global presence. In a separate report, Softbank Corp. said it is in the final stages of negotiations with the U.K.'s Vodafone Group Plc toward purchasing Vodafone KK, Japan's third-largest cellular phone service provider. If Softbank agrees to buy the entire stake in the Vodafone Japanese unit, the deal will likely exceed 1 trillion yen (US\$8.5 billion), the

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biggest acquisition of one Japanese company by another. Softbank is slated to start offering cell phone services in spring 2007. Taking over Vodafone's roughly 15 million customers will place Softbank in a better position to compete with NTT DoCoMo Inc. and KDDI Corp.

Mobile/Wireless

- **ITC Networks Corp, an affiliate of Itochu Corp., said it would go public on the second section of the Tokyo Stock Exchange.** The company generates most of its sales from selling mobile phone handsets, especially NTT DoCoMo Inc. models. ITC Networks handles the distribution of mobile phones. It operates 103 outlets located around major train stations throughout the country as well as about 300 sales booths at major retail chains. The company said the funds to be raised through the public offering would be used to cover the costs of new store openings and modifications as well as for mergers and acquisitions. Competition among cell phone providers is expected to heat up toward November this year, when a new service will come into effect enabling people to keep their cell phone numbers even after switching service providers. ITC Networks expects to generate a group pretax profit of 3.6 billion yen (US\$31 million) for the year through March 2006, down 8 percent from the previous year, partly because of a decline in sales of handsets resulting from DoCoMo's emphasis on keeping existing users rather than acquiring new subscribers. Nomura Securities is the lead manager of the offering.

Information Technology

- **Toyota Motor Corp. announced its teaming up with NTT group firms for the setting up of an advanced road map database designed to make more accurate and user-friendly car navigation systems.** The database will be designed to enable immediate updates of information on commercial and other facilities shown on vehicle navigation systems or cell phone monitors. The project aims also to incorporate other information like speed limits and other traffic regulations into the database to promote safe driving. At present, car navigation system producers load their software with data supplied by map-making firms. Each year, the data changes for about 30 percent of all facilities listed in navigation systems, and many of these changes are not updated in the software. The project will call for the setting up of a centralized information-gathering unit to heighten data accuracy, with basic information to be provided from the database to map-making firms. Working together with NTT DoCoMo Inc. and NTT East Corp., Toyota disclosed its intention to set up by the end of next year a task force focusing on creating a practically feasible database. The project is expected to boost the volume of data on facilities by about 50 times to cover 4.5 million entities. The partners are also considering the use of the WiMax LAN networking technology for updating information.
- **NTT DoCoMo Inc. announced the development of a system to display on car-navigation system destination information found via a search using a mobile phone or a PC.** NTT-Resonant Inc., which operates the goo portal site, will use the system to provide a new service soon. Users will be able to search for information from the goo portal site and then forward it to a car navigation system. They will have access to information for 450,000 destinations of the goo site. NTT DoCoMo hopes the system will lead to increased use of mobile phones and the goo site. The system is expected to be compatible with on-board equipment of vehicles of manufacturers including Nissan Motor Co. and Honda Motor Co. The new service will not carry any charges beyond those for communication. With mobile phones, the new service will initially be limited to handsets that have the ToruCa electronic money function of NTT DoCoMo.
- **Toppan Printing Co. said it would initiate the full-scale production of smart cards at a new plant in Shanghai, a move that will put itself as a leading supplier in the Chinese market.** The

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facility was built by Toppan Printing Co. (Shanghai), a joint venture with Chinese companies. This marks the first time Toppan has made smart cards in China. Before this, it has produced magnetic cards in China but has farmed out smart card production. The plant has already received authorization to make and issue smart cards for credit card giants Visa International and MasterCard International Inc. In addition to meeting demand from financial institutions, Toppan aims to expand sales of non-contact smart cards to subway operators and other public transportation providers. With the launch of the new plant, Toppan's smart card production capacity in China is expected to reach 1.5 million units per month, reportedly the largest in that country.

Semiconductors

- **Genesis Technology Inc. (GTI), Japan's largest semiconductor product testing house, said it would go public on the second section of the Tokyo Stock Exchange.** The company tests chips still in their wafer stage on behalf of semiconductor product makers to propose ways to improve the production process in addition to finding defects. GTI was established in 1987 as an affiliate of Kobe Steel Ltd. when Kobe Steel entered the chip production business. Initially, GTI received technological assistance from Texas Instruments Corp., which had cooperative relations with Kobe Steel. The technology from Texas Instruments still helps GTI lead others in the semiconductor testing business. In response to the growth in outsourcing of semiconductor testing, GTI is expanding its operations and in recent years has enjoyed an increase in orders from home electronics makers. For fiscal 2005 through March, pretax profit is expected to increase by 6 percent to 1 billion yen (US\$8.5 million) on revenue of 13.3 billion yen (US\$114.2 million). GTI aims to boost revenue by at least 10 percent for fiscal 2006. GTI will use 1.6 billion yen (US\$13.7 million) in proceeds from the initial public offering to expand its flagship plant. Initial public offering is for 900,000 shares. Nikko Citigroup Ltd. is the lead manager of the IPO.

Software

- **Software developer Koei Co. announced that it is ready to begin full-scale online gaming operations in China.** Under the offering, the company said it will begin offering its "Nobunaga's Ambition Online" on a trial basis, with the goal of developing business in the expanding Chinese market. "Nobunaga's Ambition Online" is an Internet role-playing game for personal computers that allows the simultaneous participation of thousands of users. Koei will begin testing the game in Beijing and Shanghai. The firm will initially provide the service for free during the test phase, but it plans to switch to a fee-based service this spring and develop operations in other cities as well. Koei began offering "Nobunaga's Ambition Online" in Japan in June of 2003 for use with the Sony PlayStation 2. It added a PC version in February of 2004. In Japan, Koei has a total of about 150,000 registered users for the game.
- **Ascii Solutions Inc., a Japanese software seller, said it has received approval to list on the Osaka Securities Exchange's Hercules Market.** The company will offer 2,800 shares to the public in its initial public offering. Of those, 1,500 are newly issued shares and 1,300 are shares currently held in private. For the current fiscal year through March, the company expects a parent pretax profit of 162 million yen (US\$1.4 million), net profit of 156 million yen (US\$1.3 million), and sales of 2.7 billion yen (US\$23.2 million). Last fiscal year, the company posted a parent pretax profit of 122 million yen (US\$1 million), and sales of 2 billion yen (US\$17.1 million). Shinko Securities is the lead underwriter of the offer.

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Hardware

- **Media Global Links Co., a communication and broadcasting equipment developer, announced its plans to go public on the JASDAQ Securities Exchange.** Equipment for broadcasting stations, used to process video and audio signals, accounts for 70 percent of sales of the fabless maker. The firm's main customers are manufacturers of broadcasting systems, with about 50 percent of total sales earned from Toshiba Corp. Of its communication equipment, which contributes some 20 percent of total sales, proprietary incompressible transmission systems are highly valued. The company positions overseas markets, including Europe and the U.S., as the core of its future growth. Since its overseas sales account for only 3-4 percent of total sales, it has started taking measures to discover new customers, including establishing a sales unit in the U.S. Media Global said it plans to use the money to be raised through the initial public offering for R&D activities and to introduce inspection equipment. Nomura Securities Co is the lead manager for the IPO.

Korea

Internet

- **Sinjisoft, a wireless Internet solution firm, announced the launching of a ubiquitous game solution supporting wired-wireless link service in the first half of this year.** The new solution, called "Super Gnex," is a next-generation virtual machine that can support all the three programming languages, C, C++ and Java. Game platforms had adopted either BREW adopting C or SK-VM adopting Java in the past. This makes interoperability a key issue. Super Gnex supports C++ used for online games for PC, allowing a single game to be developed in both PC and mobile versions in the exact same form. The company said it looks to the solution as accelerating evolution of mobile games.
- **Following the unveiling of the first two series of handsets (Pantech Hero, VK Kickflip), Helio announced a new offering, MySpace Mobile on Helio, through alliance with the online community.** While the two series of cell phones have been received well, the new service is getting mixed responses from the market. Observers said the alliance with MySpace, the web portal with 55 million members, is another way for Helio to attract more customers. Helio plans to apply MySpace service to cell phones to draw in more customers. Alliance with MySpace, however, is not exclusive to Helio.
- **According to the CEO of CJ Internet, there are plans to change Netmarble from a game portal to an Internet portal.** The official said that this year the company is focusing on game and entertainment, and transforming the Netmarble web site into an Internet portal site will take place next year. Part of the changes CJ Internet will effect is the adding of an online music service to the portal. CJ Internet's FPS game, Sudden Attack, recently reached peak concurrent users of 80,000 and Vanilla Cat, which recently started open beta, saw concurrent users soar to 10,000 right after the open beta launch. CJ Internet plans to introduce baseball game, Magu Magu, and casual games Nostale and Theos this month. Ys, an MMORPG game, will be introduced at the end of the year.
- **The Korea Association of Phonogram Producers announced the reaching of a settlement with Soribada, a music file-sharing Internet site, and had withdrawn all civil and criminal cases it had filed against the site operators.** Soribada in South Korea was the equivalent of Napster or Morpheus: a site where users could post digital music for download by other users at no charge. Soribada agreed to pay 8.5 billion won (US\$8.7 million) to the music producers' group as compensation.

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In April, Soribada said it would convert itself to a pay service. The settlement ends a three-year legal struggle over property rights and music piracy.

Mobile/Wireless

- **SK Telecom Co. said it would begin providing a service that provides members with wireless Internet access for a fixed rate of 30,000 won (US\$31) a month.** KTF Co. will also launch a similar service early next month in which users will only pay a maximum of 26,000 won (US\$27) regardless of how often they use its wireless Internet. These offers, however, are only for the wireless Internet services; regular mobile-phone bills are calculated separately. Observers are saying the offer could be a response to the recent suicide of a middle school student who accumulated a bill of almost US\$4,000 for playing games on his cell phone. An industry analyst said that the offering would not solve the problem. In a separate report, KT disclosed its plans to start a monitoring system for users who share one Internet line for multiple PCs without permission as early as April. KT said it has already finished developing the detection system in cooperation with other network technology firms, and will begin identifying and charging its subscribers who use IP-sharing Internet routers. Internet routers, or gateways, enable multiple PCs to share one IP, or Internet address, without permission from the Internet line provider. KT has been trying to charge extra fees for users of such devices since last July, but has faced protests from subscribers and civil groups. About 11.5 percent of household broadband Internet subscribers have more than 2 PCs connected to the line, with an overall 1.6 PCs on average.
- **Clipcomm, a South Korean tech venture, announced its entering into deals with two Brazilian telecom carriers, Telema and Brazil Telecom, in a bid to provide US\$2 million-worth Bluetooth access points for 'One Phone' service.** The service is to be launched in April this year. The company aims to sign similar deals in other Latin American countries like Mexico. Under the deals, Clipcomm is aiming at exports of some US\$10 million for this year. It plans to ink deals with the two Brazilian carriers later this month after discussing terms of details. The company won the world's first Bluetooth standard certification in 2002, and provided access points worth some 100,000 won (US\$103) apiece for KT last year. Clipcomm is now working on hands-off One Phone system for enterprise users that combines Bluetooth One Phone with VoIP. One Phone is a wireless technology that enables a mobile phone to become both a wireless communications handset outside home and a cordless phone linked to fixed-line service at home or office by using an access point. KT adopted the technology for the first time last year.
- **Terrestrial DMB phones may change the landscape of the mobile phone market, according to Atlas Research Group.** The market research firm reported that 34.9 percent of consumers who bought terrestrial DMB phones in January this year shifted from SK Telecom to rival operators, a figure almost a double compared to 18.8 percent in the entire mobile phone segment. A total of 29,000 terrestrial DMB phones were sold in January this year, with Samsung Electronics' SHP-B2300 accounting for 64.1 percent followed by LG Electronics and Pantech&Curitel, which took 28.3 percent and 7.6 percent of the market.

Media, Entertainment and Gaming

- **Microsoft's Xbox 360 game console was released into the country's numerous videogame fans, making South Korea the first Asian market besides Japan to see the introduction of the unit.** The device is developed with the aim of gaining market dominance over rival Sony. It features high-definition graphics and enables users to access its online service Xbox Live as well as other multimedia contents. Released between November and December of last year in North America, Europe and Japan, the unit has been so popular that supply has not been able to catch up with demand. To coincide

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with the release, the U.S. software giant has pumped 11 games onto the market. Fifty more games are scheduled to hit the market in June. Microsoft Korea said that some 100 games would be released this year.

- **Companies in South Korea are increasingly joining the field of computer games in a bid to boost profits and enhance their image among the mainly young users of games.** Binext Capital, an affiliate of Daesung Group, disclosed that it has set up a fund to help domestic game-makers develop new wares. The group will distribute some Korean games to the North American market and has formed a new taskforce to handle businesses related to games. Hwaseung Corp., a producer of sportswear and athletic shoes, and whose clothing brand, K-Swiss, has sponsored some professional game players also said that it would sponsor a team of professional video gamers of its own. Hyosung Group, which manages affiliates in textiles, construction and chemicals, said it will start distributing a Korean online game next month and is likely to add two more online games to its distribution list this year. Major Korean companies have dabbled in games before: In the mid-'90s, a number of domestic companies entered the game business, only to experience losses brought about a few years later by the Asian financial crisis. But with today's professional gaming industry booming, and top players making hundreds of millions of won a year, companies have decided to give it another shot.

Hardware

- **MP3 players remain the preferred portable music device for Koreans, but cell phones with MP3-playing functions are quickly attracting music lovers.** A survey of 1,300 people between the ages 15 and 39 by the Seoul-based research company Metrix Corp. showed that nearly 34 percent of the respondents listen to music with MP3 players. Meanwhile, 22 percent said they used cell phones with built-in MP3 players. But when the same survey was done two months earlier, in November 2005, only 18 percent of respondents said they used MP3-enabled cell phones, which was up from 5.5 percent in a March survey. Users of MP3 players fell from 40.1 percent last March to 33.8 percent in January. Less than 6 percent of those polled said they listen to music on portable radios, and only 2.6 percent said they use cassette players.
- **Samsung's headquarters in South Korea has confirmed its plan to make Tianjin its largest overseas manufacturing and R&D base of mobile phones.** Already, the South Korean-based Samsung Group has increased its total investment from US\$29 million to hit US\$197 million this January. Samsung's annual production output of GSM mobile phones is expected to reach hit 42 million from its present 24 million. Once operations begin in Tianjin, Samsung is seen as posting US\$4.6 billion in sales revenue

Telecommunications

- **According to sources of the industry sources, SK Telecom and TUMedia recently began a negotiation for supplying mobile communication value-added service and solution and satellite DMB with Reliance Infocomm.** Such a movement of SK Telecom is raising interest in whether it meets the global strategy of SK group this year. As a result of the negotiation, SK Telecom may reprocess advancement into India. In a separate report, Harvard Business School announced that it would use SK Telecom as a case study in one of its MBA courses. According to SK Telecom, talks are under way between Harvard Business School and SK to use Korea's biggest mobile service network operator as a case study. SK Telecom along with Samsung Electronics and the now-defunct Daewoo Group are among a few Korean firms used as case studies by Harvard Business School.

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Ventures/Investments

- **The Korea Technology Transfer Promotion Association (KTPA) announced the setting up of a joint venture with Lionning Broadcasting to provide terrestrial DMB service in the area.** The joint venture, Lionning DMB, is expected to become the third largest wireless broadcasting service provider in China, covering some 40 million residents living in the province. Test service is set for October this year before commercial service begins in April next year. Under the deal, the new firm will have 24 billion won (US\$24.7 million) in capital, with the Chinese partner holding a 51 percent stake and the Korean partners 49 percent. The KTPA said it plans to form a consortium comprising of local DMB service and handset provider members such as P&IB, Firstra and Happy&Good by June this year. KTPA is an industry organization established last year to export dormant or unused technologies. Eight research organizations such as the Korea Science and Technology Institute, the Korea Production Technology Research Institute and the Korea Electronic Parts Research Institute and three business groups have joined the association.

China

Mobile/Wireless

- **KongZhong, a leading provider of advanced 2.5G wireless value-added services in China, announced a 34-percent growth year on year and 9 percent sequentially in its 2005 fourth quarter revenue to a record of US\$22.1 million.** The company said total revenue in 2005 posted a 62 percent growth from 2004 to reach a new record of US\$77.7 million. Its net income in 2005 went up by 9 percent to US\$22.1 million from US\$20.3 million in 2004. The net income for the company totaled US\$6.2 million in the fourth quarter, a 5 percent decline from the same period last year but an increase of 83 percent from US\$3.4 million in the third quarter of 2005. Kongzhong's 2.5G revenues in 2005 rose 40 percent from 2004 to US\$56.3 million while its 2G revenue increased 172 percent year-over-year to US\$21.2 million. KongZhong said that with the company's growth and acquisition of Sharp Edge, it expects to gain more market share in its core WVAS (Wireless Value Added Service) business in all four of the telecom operators in China, a status that will put it in good position when 3G services are introduced in China.
- **Dbtel, a company that used to be one of the top five mobile phone brands in China announced that it has terminated production in Mainland China, an announcement that makes it the latest casualty in the China market that is marked by intense competition and price-cutting.** The market happens to be also the world's biggest. Shanghai Dbtel, a unit of the Dbtel Group of Taiwan, said that it had decided to withdraw from the mainland market. The withdrawal also marked the end of its distribution and after-sales services. The company, however, disclosed that it might still continue to serve other overseas markets, such as Russia, Thailand and Latin America. Shanghai Dbtel's gradual reversal of fortune peaked in 2004 amidst the overcapacity and fierce competition that have pushed also several companies, including Panda and Yi Mei, out of the market. In 2004, Shanghai Dbtel reported a loss of NT\$920 million (US\$28.3 million).

Internet

- **Shanda Interactive Entertainment Ltd., one of the largest online game operators in China, reported a fourth quarter net loss of 538.9 million yuan (US\$67 million).** The company said its total net revenue posted a 16.3 percent decline year-on-year and 27.8 percent quarter-on-quarter to 360.5 million yuan (US\$44.8 million). Shanda's online game revenue, including MMORPG and casual

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games, went down by 20.1 percent year-on-year in the fourth quarter and 28.8 percent quarter-on-quarter to 311.9 million yuan (US\$38.8 million). The company ascribed its loss mainly to a non-cash impairment charge of 521.5 million yuan (US\$64.8 million) to reflect the fair value of Shanda's 38 percent stake in South Korean game developer Actoz. The company has shifted its business model by abandoning the traditional subscription payment model for three of its most popular games, opting for a method by which consumers pay for in-game value-added services such as certain in-game items and premium features.

Hardware

- **According to the Special Commissioner's Office, under the Ministry of Commerce, in Chengdu, ProLogis, a global provider of distribution facilities and services, has entered into an agreement with the Chongqing Economic and Technology Development Zone, with the aim of setting up the first foreign-funded logistics park in Chongqing, Sichuan province.** Under the plan, ProLogis will invest at least US\$60 million in the logistics park, whose completion is expected to be done by end of first quarter next year. The U.S.-based ProLogis has already made investment in 12 logistics parks in China, with the investment totaling more than US\$200 million.

Telecommunications

- **China Telecommunications Group, the parent of China Telecom Corp., disclosed its plans to spin off its engineering and telecom services arm for a Hong Kong IPO in a bid to raise between US\$200 million and US\$400 million in the second half this year.** Under the plan, China Telecommunications Group will bundle its telecom and engineering assets from five or six provinces and cities, including Guangdong and Shanghai, into the proposed listing unit. The group has selected China International Capital Corp and Goldman Sachs as joint sponsors of the IPO. It would be the group's second spin-off for a Hong Kong listing after its operating unit, China Telecom Corp., the country's largest fixed-line operator, was able to generate some US\$1.5 billion in 2002 through a share floatation.

Ventures/Investments

- **Industry sources said China Post is in talks with China Telecom and China Unicom on setting up a jointly owned bank as early as June this year.** The bank would eventually seek to go public. Under the agreement China Post would be in control with a 51-percent stake. China Post was reportedly also in talks with other potential investors, even as the sources noted that foreign investors might not be allowed to buy into the new bank directly.
- **Satyam Computer Services Ltd., a global consulting and IT services provider based in India, disclosed its plans to set up its operations in Guangzhou, China.** Satyam said it has plans to increase its presence significantly in China and the setting up of the operational center is revealed by the company as the first step before it sets up a large development center in China.
- **The National Academy of Nanometer Technology and Engineering (NANTE) said it has received a fund in the amount of 38 million yuan (US\$4.7 million) allocated by the China's Ministry of Finance for the development of specialized industrialization projects on nanometer research.** The Chinese government approved the establishment of NANTE in a move to foster the industrialization of nanometer technology and to upgrade the country's competitive edge in the international high-tech industry. NANTE has partnered with several universities and research institutes, including the Chinese Academy of Sciences, Tsinghua University, Peking University, Military Medical Science Academy, Beijing University of Aeronautics and Astronautics, Nankai University and Tianjin

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University. The NANTE aims to set up a nanometer research and application platform among related industries, such as information technology, biology, medicine and pharmaceuticals, and micro-machinery.

Semiconductors

- **NEC Electronics Corp. announced its plans to establish a facility in Beijing that will develop software for semiconductors used in digital audiovisual products.** The center will be set up at NEC Electronics (China) Co., a development and sales firm in Beijing. It will conduct alterations of specifications for semiconductors used in flat-panel televisions and set-top boxes, demand for which is expected to surge as digital broadcasts begin. The company's digital AV semiconductor business in China is expected to generate annual sales of 10 billion yen (US\$85.8 million). The company aims to boost sales in China to 100 billion yen (US\$859 million) in five years from around 35 billion yen (US\$300.6 million) at present.

Taiwan

Hardware

- **Quanta Computer said it would invest US\$27.8 million in a bid to expand its Shanghai operations.** The notebook manufacturer said it would assign US\$18.3 million to raise the paid-in capital of its wholly owned subsidiary Tech-Yeh (Shanghai) Computer and use the remaining US\$9.5 million to build a warehousing company. Quanta has moved all its production lines to the mainland and has already invested US\$124.8 million. It is keeping its research and development staff in Taiwan. Its subsidiary Tech-Yeh has a current capitalization of US\$35 million. The subsidiary manufactures notebook computers, computer peripheral products and mobile phone sets. Quanta is considered the world's largest contract notebook computer maker.

Ventures/Investments

- **The Taiwanese government revealed its plan to invest NT\$32 billion (US\$987.7 million) on six sectors over the next five years in a bid to boost development of its technology and up the level of its competitiveness.** The government source said it would focus its resources in research and development and then join the private sector for future commercial production. Specifically, the government in Taipei said about NT\$20 billion (US\$617.3 million) have been set aside for the nano industry, NT\$5 billion (US\$154.3 million) to intelligent vehicle manufacturing, NT\$2 billion (US\$61.7 million) on robot production and NT\$1.8 billion (US\$55.5 million) for intelligent building development. The government source said some NT\$1 billion (US\$30.8 million) would be set aside for flexible electronics and another NT\$2 billion (US\$61.7 million) on the development of radio frequency identification (RFID).

Hong Kong

Internet

- **Yahoo Hong Kong disclosed that it expects significant growth in its paid search business, with the service coverage expanding to several Chinese newspapers' websites in a bid to attract more users.** Yahoo entered the paid search service through the acquisition of Internet search service provider Overture in 2004, and recently changed the name of the service to Yahoo Search Marketing

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Solutions. The company disclosed that in Hong Kong, there are about 2,500 clients on paid search, with 90 percent of these being small and medium firms.

Media, Entertainment and Gaming

- **Now Broadband TV of PCCW announced the deployment of is introducing advertisers to its interactive platform that will introduce to advertisers dedicated channel to showcase their products.** The offering is part of the company's effort to come up with an integrated marketing strategy for its fixed-line, mobile and pay-television services. The offering is timed as Now prepares to launch its first self-produced channel, the Now Business News Channel. An analyst said that if the interactive advertising platform succeeds and is able to raise revenues to cover programming costs, PCCW might change its business model as a subscription-fee based pay-television operator. PCCW Media, the advertising arm of the fixed-line telecommunications operator, is expected to make use of its broadband infrastructure to develop Hong Kong's first interactive television advertising plan. Following its latest rate card, Now charges HK\$4,500 (US\$580) for a prime 30-second slot even as observers expect the company to give discounts of up to 60 percent in order to attract more advertisers. The Business News Channel, envisioned to be a fusion of CNBC and Bloomberg format, is also selling different program packages with discounts up to 83 percent on its rate card prices.
- **i-Cable Communications disclosed its plans to spend more on producing programs and movies, as well as its soon to be launched online gaming business.** The announcement came after i-Cable's first film investment grossed more than HK\$7 million (US\$902,000) at the Hong Kong box office. Considered the largest local pay-TV operator, i-cable unveiled results for the year to the end of December showing a 3-percent rise in its revenue to HK\$2.4 billion (US\$309.3 million). Its operating profit posted a 5-percent decline to HK\$282 million (US\$36.3 million). Its operating profit at the pay-TV business registered a 28-percent decline to HK\$337 million (US\$43.4 million). The company said its net profit climbed 105 percent to HK\$582 million (US\$75 million) over the previous year, a result ascribed to the contribution of a one-time deferred tax credit of HK\$305 million (US\$39.3 million). Subscribers to i-cable went up by 5 percent to 738,000, leaving it with about 10 percent of the audience share for 2005. Jade Channel is the market leader, with a 62-percent share.

Telecommunications

- **Hutchison Telecommunications International (HTIL) disclosed that it has pared down the shareholding structure of its Indian mobile arm, Hutchison Essar, and gained an extra seat on its board in preparation for the unit's listing this year.** Following a transaction that placed Essar at US\$6 billion, HTIL's direct and indirect interest in the Indian company will now see a reduction from 53.1 percent to 49.6 percent. Under the deal, Kotak Mahindra Group sold its stake in Essar for 10.1 billion rupees (US\$229 million) to the former chairman of HTIL's Indian unit. A company Telecom Investments India (TII) would then consolidate the interests held by other minority shareholders. After the deal, HTIL is seen as owning 37 percent in TII and has an option to buy the rest of TII from shareholders. Hutchison has plans to list publicly in India and it is presently clearing regulatory issues with the Indian government about how much a foreign entity can own in an Indian carrier. The laws in India now allow foreign firms to own up to 74 percent of an Indian carrier, a significant increase from 49 percent before.

Semiconductors

- **O2Micro International disclosed its move to list on the Hong Kong stock exchange even as it would not give details about plans to raise capital raising plans.** The company said the listing is not aimed at raising fund for the firm O2Micro, a NASDAQ-listed chip designer, but to show the

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company's commitment to customers and employees based in the region. The company said the listing is for Asia-based employees who want to sell their O2Micro shares and would not have to wait up for markets in the US to open. Other sources though are saying that O2Micro originally intended to raise HK\$800 million (US\$103.1 million) through a secondary offering, plans that seem to have been put on hold given the lack of excitement over semiconductor shares in Hong Kong. O2Micro allocated US\$14.9 million towards capital expenditure last year, but would not say how much it planned to spend this year. Cayman Islands-registered O2Micro is the first NASDAQ company to seek a secondary listing in Hong Kong.

Mobile/Wireless

- **Pointing to fierce market competition and rising 3G-related costs, SmarTone Telecommunications Holdings disclosed an 83.4 percent plunge in its interim net profit for the six months to December to HK\$37 million (US\$4.7 million) from HK\$224 million (US\$28.8 million) a year earlier.** The result happened amidst a 1.5 percent rise in turnover to HK\$1.8 billion (US\$232 million). The company revealed that amortization in handset subsidies hit HK\$64 million (US\$8.2 million) during the period, a figure that is more than double the HK\$31 million (US\$4 million) in the entire previous financial year. Its overall operating expenses went up to HK\$79 million (US\$10.1 million) to HK\$714 million (US\$92 million), a figure that the company ascribed to 3G network rollout costs. Hong Kong's mobile-phone sector is characterized as a period of consolidation and intense competition in the past year, with all trying to up its market share and convert users to 3G services. SmarTone said it saw a rise in its subscriber base to more than 1 million in December from 1 million six months earlier. In February alone it registered some 100,000 3G subscribers.

Hardware

- **Surface Mount Technology Ltd. (SMT) announced the signing of an agreement to settle in the Tianjin Economic-Technological Development Area (TEDA).** The SMT is one of the top electronics manufacturing services providers in Asia Pacific. It is expected to invest US\$45 million to build production facilities in TEDA, making it the largest Hong Kong-based telecom company in TEDA. Established in 1986, the SMT was publicly listed in the Singapore Stock Exchange in 2002. Surface Mount Technology is based in Hong Kong.

Information Technology

- **IT-service provider PacificNet Inc. announced its entering a definitive agreement allowing for the private placement of US\$8 million senior convertible notes with several institutional investors.** Proceeds from the financing will be used to provide PacificNet with additional working capital to boost its telecom value-added services (VAS), business process outsourcing (BPO), and CRM (Customer Relations Management) operations, and to make further acquisitions in China.

Singapore/Malaysia/Philippines/Indonesia

Internet

- **Singapore-based based telecom services group MediaRing Ltd announced its launching of an unsolicited bid for Pacific Internet Ltd (PacNet).** The bid placed the value of PacNet at US\$110.5 million. MediaRing already owns about 4.8 percent of NASDAQ-listed PacNet. The pre-conditional voluntary offer is subject to approval from the Singapore telecom regulator, the Info-Communications Development Authority of Singapore. MediaRing is being advised by UOB Asia Ltd. MediaRing, which

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provides phone services over the Internet, said the acquisition would allow the cross marketing of services and cost savings for both firms. It hopes to acquire at least a majority stake in PacNet, and would delist PacNet if the offer were successful. PacNet, a regional Internet service provider with operations in countries including, China, Australia, India and Malaysia, is being advised by UOB Asia Ltd.

Information Technology

- **The IT industry of Singapore was worth an estimated US\$22.7 billion in 2005, a figure that represented an 8 percent growth year-on-year, according to the Infocomm Development Authority (IDA).** The IT sector presently contributes more than 6 percent of Singapore's GDP and is expected to grow as tech-savvy Singaporeans continue to exploit the Internet. The government says 74 percent of households own a personal computer, with 28 percent having two or more. A 2005 survey of IT usage showed that more than half of the households with Internet access are already on broadband connections. The government remains keen to innovate and is planning to construct a national high-speed broadband network that would cover all homes, schools and offices and is expected to be a catalyst for what Singapore called the growth of a creative economy. The network is called the National Broadband Network.

United States/Canada

Internet

- **Sun Microsystems announced its new offering called Retail Grid for home and small office users, which is expected to transform computing power into a commodity.** The company said the Sun Retail Grid service would be a bargain, with computing utility to be offered at US\$1 per central processing unit (CPU) an hour, with a set usage of a minimum number of hours, and storage utility at US\$1 per gigabyte a month. Initially, the applications for the Retail Grid would consist of computer-intensive jobs such as computer-aided design simulation and investment analysis. With the utility being Internet-based, the service is expected to be used for high-performance, multiple-location gaming applications. The company's marketing director for Greater China said the service is seen as being offered in Asia with network service provider partners assumed to possess more expertise with utility billing and account management practices. Grid computing technology connects pools of computers, storage and networks, enabling enterprise users to efficiently allocate all available data and application resources based on changing business needs. The model takes off from modern electrical grids built to tap the geographically distributed resources to generate more power on demand. According to US-based analyst firm Insight Research, global grid spending is estimated to grow from US\$714.9 million last year to about US\$19.2 billion in 2010.
- **The U.S. Securities and Exchange Commission announced that it reached a settlement with NetEase.com, a Chinese Internet company and two former executives.** The case was resolved without fines. The SEC said NetEase cooperated well in determining not to impose financial penalties, with the company settling without admitting or denying any wrongdoing. The SEC found that Helen He Haiwen, the former chief financial officer, had helped NetEase improperly recognize revenue and that Geoffrey Wei Jie, former chief accountant and former acting chief financial officer, had knowledge about company's improper revenue-recognition practices.
- **"Jeeves", the cartoon butler that served a pioneering U.S. Internet search engine was retired recently, a move that came with the firm to aim to grab market-share from industry giant**

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Google. Jeeves was pictured riding into the sunset, and with it the web site discarded its old name to assume the new label, Ask.com. It was reported that fans left 11,000 farewell messages for Jeeves at the web site. IAC/InterActive acquired Ask last year.

- **According to a survey by the Pew Internet and American Life Project, the use of high-speed Internet services is growing fast in rural America.** The result indicates that the gap between country and city is gradually diminishing. The survey said that last autumn, 24 percent of rural Americans had broadband Internet access at home, a figure that is more than double the 9 percent rate reported in 2003. Some 39 percent of urban and suburban dwellers had broadband last autumn, up from 22 percent in 2003. Cited as the main reason for lower rural broadband adoption was availability. The study also noted that country dwellers socio economic status could be associated with lower levels of Internet use. Rural Americans who have broadband Internet are almost as likely as others to use it on a given day, with rural Internet users slightly more likely than others to participate in online education and to download games, and less likely to bank online or buy travel tickets. The Pew Internet and American Life Project studies the social and civic effects of the Internet.

Software

- **Microsoft revealed its plan to make an appeal against a ruling by South Korea's antitrust body asking the software giant to unbundle its popular software tools from its Windows operating systems.** The final verdict of the commission merely reaffirmed most of its preliminary ruling handed down two months ago, with a small revision of the fine on Microsoft to 32.4 billion won (US\$33.3 million) from 33 billion won (US\$34 million). In December, the antitrust body ruled that Microsoft had abused its market dominance and violated fair trade rules by bundling software tools in Windows. Under the ruling, Microsoft must sell two versions of its Windows operating system, one that gives consumers the option of getting a system that does not contain Media Player and Messenger even as one system should have links to web pages for downloading competing versions of such software. Microsoft has been facing a series of disputes with major rivals including IBM and Sun Microsystems in the U.S., South Korea and the European Union.

Hardware

- **Blackberry said it is preparing to add cameras and music players to the handheld computer in a bid to compete with Palm's Treo and Motorola's Q phone.** Competition remains the bigger threat to the firm even as Research In Motion, the maker of the BlackBerry, is already trying to settle a five-year patent conflict with NTP that is threatening to shut the service. Consumer surveys show that BlackBerrys, whose features are limited to e-mail, mobile phone and day-planning features, are slowly losing the market, with more than 602,000 Treos sold last quarter, compared with 645,000 BlackBerrys. According to FTN Midwest Research, competition might pull down BlackBerry's market share to 50 percent in 2010 from 71 percent now, according to Midwest Research. A report by Brandimensions, a consumer researcher, showed BlackBerrys having a lower rating among consumers than Treos.

Semiconductors

- **Rim Semiconductor Company, an emerging provider of semiconductors to the broadband telecommunications industry, announced the completion of a representative agreement with Asiakey Technology Ltd.** The agreement would allow the launching of sales and marketing programs in China, Singapore and Taiwan. China leads the DSL world with over 21 million subscribers followed by the US, which has close to 16 million, according to researcher In-Stat. It has grown from a US\$2-billion semiconductor market during the 90's to the third-largest semiconductor-consuming country worldwide. China will continue to grow at twice the pace of the entire semiconductor industry over the

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next five years. Asiakey is an independent representative with sales and marketing offices in Singapore, Taiwan and China. Asiakey is part of Asaiki Group which consist of the following companies: Asaiki Pte Ltd, Asaiki Technology Pte Ltd, Asiakey Technology Co. Ltd, Asiakey Technology (HK) Ltd, Asiakey Technology (Shanghai) Co. Ltd and Takeiki Pte Ltd. Based in Portland, Oregon, Rim Semiconductor is an emerging fabless communications semiconductor company.

Europe

Internet

- **T-Online International, Europe's largest Internet service provider, revealed an 82 percent decline in its net profit for the fourth quarter.** The company reported the decline as happening in the middle of fierce competition and higher costs. T-Online said its net profit for the last quarter of last year of was 11.4 million euros (US\$13.7 million), compared with 63.1 million euros (US\$78.5 million) a year earlier. The company said its sales went up by 2.5 percent to 551.7 million euros (US\$663.6 million) from 538.4 million euros (US\$647.6 million), ascribing this to an increase in subscribers. For the whole of 2005, T-Online said its net profit registered a 32-percent decline to 203.8 million euros (US\$245.1 million) from 300.9 million euros (US\$362 million) in 2004. Its sales went up by 3.8 percent to 2.1 billion euros (US\$2.5 billion) from 2 billion euros (US\$2.4 billion). T-Online said last year's results were affected by several cuts to its prices for digital subscriber line tariffs although it had reached its full-year targets and won market share at home and in new markets in Spain and France. The company is investing in services such as online telephony, video-on-demand and music downloads in a bid to be more competitive. T-Online, which is majority owned by Deutsche Telekom, is facing local competitors such as Freenet.de and Vodafone Group's fixed-line unit Arcor for a slice of the fast-growing market for high-speed Internet access.

Telecommunications

- **Deutsche Telekom announced net profit of 5.6 billion euros (US\$6.7 billion) in 2005, compared with 1.6 billion euros (US\$2 billion) a year earlier.** Europe's biggest telecommunications group said its operating profit, posted a 5.7 percent rise to 20.7 billion euros (US\$24.8 billion) on a 3.9-percent rise in sales at 59.6 billion euros (US\$71.6 billion). The company said its mobile business registered a 16.3 percent rise in operating profit to 9.8 billion euros (US\$11.7 billion) on an 11-percent rise in revenues to 29.4 billion (US\$35.3 billion). On the downside, its broadband and fixed networks business showed a 3.1 percent decline in operating profit to 9.9 billion euros (US\$12 billion) and a 3.6-percent drop in its revenues to 26 billion euros (US\$31.2 billion). Deutsche Telekom said its operating profit is expected to hit from 20.2 billion (US\$24.2 billion) to 20.7 billion (US\$24.8 billion) this year, figures that the company expect to increase to 21.7 billion euros (US\$26.1 billion) to 22.2 billion euros (US\$26.7 billion) next year.
- **Flag Telecom, a leading provider of international wholesale network transport and communications services announced a multi-million dollar contract for 2 x 10 Gbit/s wavelengths with Chunghwa Telecom, Taiwan's leading telecom operator.** Under the terms of the open tender contract, Flag will provide full circuit, high quality connectivity to carry large volumes of voice, data and Internet traffic between Taiwan and the West Coast of the United States on behalf of TANET, the Taiwan Academic Network. TANET connects four academic sites across Taiwan. Flag Telecom will provide bandwidth on its Flag North Asia Loop (FNAL) system between Taiwan and

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Japan where the Flag cable network connects with the Trans-Pacific cable network. Flag Telecom is based in London.

Mobile/Wireless

- **Vivendi Universal, owner of France's No. 2 mobile-phone company, disclosed a 35 percent-decline in its fourth-quarter profit to 1.2 billion euros (US\$1.4 billion) from 1.9 billion euros (US\$2.2 billion) a year earlier, a result viewed positively by analysts who anticipated worse results.** The firm said its net income in the fourth quarter of 2004 included a 1.5 billion-euro (US\$1.8 billion) gain from selling a stake in Veolia Environnement. For the Paris-based firm, fourth-quarter profit in 2005 included a 333 million euros (US\$400.5 million) tax credit and net one-time gains of 321 million euros (US\$386.1 million) from asset sales such as a stake in Spanish pay-television company Sogecable. Most analysts had not included these gains in their estimates. Vivendi's adjusted net income, which did not count earnings from discontinued operations as well as some items such as impairment, posted a 7.4 percent rise to 391 million euros (US\$470.3 million) in the quarter and climbed 55 percent to 2 billion euros (US\$2.4 billion) for last year.
- **Royal KPN Telecom N.V. (KPN), a Dutch national operator, said it has signed a contract with Huawei Technologies Co. Ltd. for the construction of the 3G and 2G-core network that would cover the whole of the Netherlands.** Under the agreement, Huawei is the equipment supplier for the core network. KPN, the largest Dutch telecom company, is a fast-growing, international company that offers business and residential customers a wide range of high quality, innovative telecom services. Huawei Technologies is a mainstream equipment supplier in 3G/WCDMA field headquartered in Shenzhen, China.

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