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

Week of 12 March – 18 March, 2006

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Weekly Highlights

International

Internet

- **The Internet Corporation for Assigned Names and Numbers (ICANN), the Internet's key oversight agency, disclosed its plan for testing domain names entirely in non-English characters.** Observers say the move is a realistic one as it would bring a change anticipated and much demanded by Asian and Arabic Internet users. The ICANN announced a tentative timetable that calls for tests to begin in the second half of the year. The trial is meant to ensure that introducing non-English suffixes would not disturb a global addressing system that millions of Internet users use daily. The Internet's main traffic directories recognize only 37 characters: the 26 letters of the Latin script used in English, the 10 numerals and a hyphen. Limiting non-English speakers to those characters is similar to forcing all English-speakers to type domains in Chinese.

Wireless

- **Members of the International Association for Standardization disclosed its rejection of China's wireless encryption standard made for global use.** The decision of the world industrial-standards association is seen as a blow to Beijing's effort to promote its own standards for computers and telecommunications. China has been promoting its homegrown WAPI system in a bid to lessen dependence on foreign technology. The adoption of said standard is expected also to give Chinese companies a competitive edge. The rejection done through balloting of the Chinese standard had an equivalent: the favoring of an American standard known as 802.11i in balloting. Despite the setback, Chinese officials said they still want to press ahead with the campaign to promote WAPI and to use it domestically. There was no comment from the Geneva-based ISO groups, and the Chinese group did not say where it got the information about the rejection.

Japan

Internet

- **Usen Corp. said it would acquire Fuji Television Network Inc.'s entire stake in Livedoor Co. for about 9.5 billion yen (US$82 million) to form a business tie-up with the once strong Internet company.** The acquisition will make Usen's President, Uno, Livedoor's second-largest shareholder after former Livedoor President Takafumi Horie, who has been charged with accounting fraud. Usen, Japan's biggest cable broadcaster, and Livedoor said they have agreed to collaborate on net portal, financial and software business operations. Usen and Livedoor said they would set up a committee by the end of this month to hammer out the specifics of the business alliance adding they plan to reach a decision on the details by late April. With the deal, Usen is coming to a clear competition with two Japanese Internet giants – Yahoo Japan Corp. and Rakuten Inc. Usen has recently been expanding its presence in the Net industry with its "GyaO" free TV broadcasting services, whose subscribers total nearly 8 million. The equity sales to Usen are seen as bringing Fuji TV to suffer an extraordinary loss of 34.5 billion yen (US$297.6 million) in the business year to March 31. Usen is listed on the Hercules market on the Osaka Securities Exchange. Its consolidated pretax profit stood at 6.2 billion yen (US$53.4 million) on sales of 154.1 billion yen (US$1.3 billion) in the business year that ended in August 2005.

- **Softbank, an Internet services company announced that it is acquiring a 97.7 per cent stake in British mobile phone company Vodafone's Japan unit.** The acquisition, when completed, is seen as boosting Softbank's entry into the mobile phone business. The deal, which is worth some 1.7 trillion yen (US$15 billion), is expected to be final in a month or two. The acquisition of Vodafone Group PLC's Japan unit is seen as enabling Softbank to take over the more than 15 million Japanese users who have signed on to the carrier, as well as its mobile network. This will save Softbank, which has been successful with its broadband service Yahoo! BB, from starting from nothing. Vodafone's share of the Japanese market has declined over the past two years after it delayed the launch of 3G services in the region. Softbank has been described as "aggressive" in offering broadband services in Japan and is a huge player in the country's Internet Protocol telephoning market.

Information Technology

- **Macros Japan Co., a firm that develops and sells communication control equipment that makes it impossible to use mobile phones in specified areas, announced that it has started marketing same devices for use in medical institutions.** The device emits radio waves on the same frequency as that of mobile phones, thereby blocking communication with base stations. The company aims to sell 2,000 devices to 500 medical institutions over a three-year period. It will prevent voice communication and e-mails from mobile phones of NTT DoCoMo Inc., KDDI Corp. Vodafone KK and Willcom Inc. To deploy such communication-blocking equipment requires permission from the Ministry of Internal Affairs and Communications. At present, permission on the use of the devices has been issued to about 130 large facilities such as theaters and concert halls. A total of 70 facilities are using Macros Japan's equipment. The newly developed device makes it possible to have different areas within a hospital where mobile phones can and cannot be used, while not interfering with the operation of medical equipment. Each device will sell for 780,000 yen (US$6,800) and installation costs are estimated at around 200,000 yen (US$1,700). The firm said four hospitals in the Tokyo metropolitan area will adopt the equipment this month.

Mobile/Wireless

- **Nippon Telegraph and Telephone Corp. announced its plans to install wireless broadband access points at a total of 900 hamburger restaurants and coffee shops by next spring.** The first will become available at some Lotteria Co. burger chain restaurants in Tokyo. Access points are also expected to be up and running at some Tully's Coffee Japan Co. outlets around the same time. Lotteria operates about 600 hamburger restaurants nationwide. Tully's Coffee has roughly 300 coffee shops around Japan. These firms hope that having wireless broadband access points will help their outlets attract more customers. The NTT group has already set up roughly 10,000 wireless broadband access points, centering on train station buildings and hotels. They offer a data throughput of roughly 54 megabits per second -- fast enough to play back sharp video in real time. Softbank Corp. has also been offering a wireless broadband access service. It plans to further increase the number of access points, some at McDonald's Japan restaurants, from the current 3,500 or so.
- **Panasonic Mobile Communications Co. had the top share in 2005 domestic mobile phone shipments, according to IDC Japan, making it the first time that Panasonic Mobile took the lead since IDC Japan began the survey in 2002.** The combined share of the top four companies was 62 percent, which is 6 percent rise from the year-earlier combined stake. The survey said domestic mobile phone shipments in 2005 posted a 0.5 percent rise on the year to 44.3 million units, marking a growth for the first time in two years. Panasonic Mobile grabbed a 17 percent share of the market, which is a 2.5 percent increase from 2004. Panasonic went from No. 3 to No. 1. Sharp Corp., which

supplies handsets to NTT DoCoMo Inc. and Vodafone KK, each had a share of 16 percent, which was up 1.4 percentage points. Nevertheless, the company fell from its 2005 second-place spot to third. NEC Corp., which has been at the top since the start of the survey, fell to second place in 2005 with a share of 16.5 percent, down 0.5 point from 2004. Toshiba Corp. remained No. 4, the same spot it held in 2004. It got a 12.5 percent share.

- **Usen Corp. plans to begin a free video distribution service for cellular phones on March 27, with the goal of attracting 3 million registered users in the initial year.** Videos, each lasting no more than five minutes or so, will be transmitted to users of 3G-handsets that support video and high-speed data communications functions once they register their personal information, including ZIP codes, sex and e-mail addresses. No fees will be charged, but four short commercials will be inserted into each program. The service will likely start with around 20 programs, but the offerings will be increased to around 50 over time. Some of the programs will be produced specifically for the service's main target audience – women in their late teens to early 30s. But the rest is expected to come from recycled content already produced for its GyaO Net video distribution service. Offering free programs with commercials, this Internet video distribution service has attracted about 7.8 million registered users since it debuted in April 2005.
- **Cybird Co. and Jimos Co. announced their agreement to integrate their operations by October this year.** Cybird and Jimos formed a comprehensive alliance in March 2005, and had been considering a business merger. Jimos provides direct marketing services and mail-order business solutions to major manufacturers. By integrating their businesses, the companies aim to expand and diversify their operations, and thus increase their profitability.
- **A consortium between business and academia will initiate to test the use of cell phones to operate large display screens.** Among the members of the consortium are the University of Tokyo, property developer Mitsui Fudosan Co. and NTT Communications Corp. The system is designed to allow elderly and other people unfamiliar with electronic devices to call up the information they need on the screen by issuing oral commands. To use the system, people dial a specified phone number to access the control display, which is alongside the screen, and give simple oral instructions. A central computer capable of recognizing verbal commands will control the display. Among the information that will be available are the schedules of buses serving the train station, the location of bus stops and area maps. The system is also designed to recognize foreign languages, with its ability to understand Korean to be demonstrated during the trials.

Media, Entertainment and Gaming

- **Sony disclosed its plan to delay the launch of its PlayStation 3 half a year until November, a decision that observers say will allow Microsoft to win a bigger share of the multi-billion dollar video game industry.** The reason for the delay is technical. The next-generation home video game console is one of Sony's core products and its success against Microsoft's already-launched Xbox 360 is considered vital to its revival after a profit decline. Sony said the group was aiming to initially ship one million PlayStation 3 consoles each month, with the company planning a simultaneous global launch. The company said it will employ the next generation Blu-ray Disc technology - which is expected to have a greater storage capacity than rival format HD DVD - in the PlayStation 3 in the aim of making it a home entertainment center. The decision is made despite the deadlock attending the talks on the copyright protection to be incorporated into the Blu-ray technology. Investors, however, are concerned that the company may not be able to produce enough of the new consoles in time for the crucial end-of-year shopping period. Analysts expected the PlayStation 3 to have a price tag of about US$400 but would not be surprised if it retailed for as much as US$500. Microsoft aims to sell 5.5 million Xbox 360 consoles by July.

Software

- **Hitachi Information Systems Ltd. said it would begin sales of accounting software through tax accountant firms and insurance agents.** By employing accounting specialists as sales agents, Hitachi Systems plans to target small and midsize firms as well as sole proprietorships. Hitachi Information Systems is aiming for sales to 15,000 businesses within three years. The company has already signed contracts with a Hiroshima accounting firm and a Hiroshima insurance agent. Through the firms, Hitachi Information Systems will promote sales of AccountMate, an accounting system provided via the Internet through the ASP (application service provider) method. Hitachi Information Systems plans to further promote sales of the software through partnerships with accounting firms, business consulting companies and others nationwide.
- **J's Communication Co., a network security solutions company, disclosed its plans to go public on the Osaka Securities Exchange's Hercules market.** The firm imports and markets security equipment for information systems to systems integrators like Obic Co. and Hitachi Information Systems Ltd., an activity that account for more than 70 percent of total sales. The company is a sales agent of Juniper Networks Inc., a major U.S. security software maker. It builds corporate networks, including virtual private networks (VPNs), based on security systems equipped with firewall functions. J's Communication also provides maintenance and inspection services for the systems it sells. The services are helping to raise the firm's overall profitability. For the current year through December 2006, the company expects to post 300 million yen (US$2.5 million) in consolidated pretax profit, a 7 percent increase from the estimated figure for the previous term, on sales of 3.8 billion yen (US$32.7 million). The firm plans to spend the 460 million yen (US$4 million) in proceeds from the initial public offering on expanding its offices, setting up a 24-hour operations center and developing new products. Daiwa Securities SMBC Co. is the lead manager for the offering.

Hardware

- **Communications equipment wholesaler Terilogy Co. said it is intensifying its investment in U.S. development firms with the aim of acquiring exclusive sales rights to products for use in optical networks.** The company recently invested in telecommunications equipment developer Glimmerglass, and indicated it will begin sales in Japan of optical switches made by the U.S. firm as early as March on the basis of a general sales agent agreement. The company said it plans to invest in development start-ups and other firms, in order to deepen its lineup of goods for optical fiber networks. Terilogy plans to expand its sales to domestic telecommunications firms at an annual pace of 10-20 percent. These transactions currently account for about 30 percent of total sales. Through this strategy, the company will aim for parent-only sales in the year through March 2008 of 10 billion yen (US$86.2 million), which is a 43 percent increase from the estimate for the current fiscal year. It will aim for a parent-only pretax profit in fiscal 2007 of 1 billion yen (US$8.6 million), a 67 percent rise from the current fiscal year. In its first year of offering the Glimmerglass switches, Terilogy forecast 500 million yen (US$4.3 million) in orders, expecting these to come from telecommunications firms as well as government entities.

Telecommunications

- **L.M. Ericsson Telephone Co., the Swedish telecom equipment manufacturer announced that it would supply network infrastructure for eAccess Ltd.'s 3G-mobile phone services**. The agreement involves WCDMA 1.7 gigahertz radio networks in Tokyo, the Nagoya region in central

Japan, and Osaka, in western Japan. Ericsson said the company would have a dedicated team to help eAccess build the networks it requires. Last year, the Japanese government decided to allow eAccess, Softbank Corp. and IPMobile Inc. to enter Japan's mobile phone service industry, opening the market to new entrants for the first time in 12 years. eMobile, a subsidiary of Japanese broadband network service firm eAccess, plans to begin offering its services in March 2007 by using the network infrastructure to be supplied by the Swedish firm. The CEO of eAccess, said the company has been preparing for the start of its mobile phone operations. It plans to complete the 300 billion yen (US$2.5 billion) to 400 billion yen (US$3.4 billion) in financing needed to launch the business. In 2005, eMobile raised 32.5 billion yen (US$280.3 million) by issuing new shares to Goldman Sachs Group Inc. and others. eMobile plans to build 15,000 base stations over the next five years, starting with the Tokyo, Nagoya and Osaka regions. eAccess, also said that it is in talks with various suppliers for the procurement of mobile phone handsets, but declined to name them. The companies did not offer the value of the deal.

- **KDDI Corp. said it might lift its annual dividend payment for the fiscal period through March by around 600 yen (US$5) to roughly 7,500 yen (US$65) per share**. The rise is partly attributed to estimates that parent-only after-tax profit, which is used to calculate dividends, will climb nearly 20 percent. Also KDDI's key au cellular phone business has performed solidly on rising demand for downloading songs. The increased payment is also partly out of consideration of a slight increase in KDDI's outstanding shares when it merged with fixed-line operator PoweredCom Inc., a Tokyo Electric Power Co. affiliate. New shares were issued when 1,000 PoweredCom shares were exchanged for 32 KDDI shares, resulting in a decline in the ownership interest of existing shareholders. By lifting the dividend payment to make up for diluted shareholder value following the merger, KDDI is clearly focusing on its shareholders. For the full fiscal year, KDDI is anticipated to post a group net profit of 187 billion yen (US$1.6 billion), a 7 percent decline attributed to KDDI not logging in a profit from the transfer of businesses, as it did in fiscal 2004.

Korea

Internet

- **According to industry sources, NHN recently invested US$10 million in NHN USA, a move that is seen as the last finishing touches on the localization of its game portal.** Observers are saying that service will soon launch in the U.S. In 2004, NHN poured in US$100 million in its China game portal business. In the U.S., a total of US$12 million has been invested so far. An official at NHN said that the additional investment in U.S. recently would be used for the launch of the service. The official added that the game portal is expected to open in end-May or early June. The NHN game division believes that the U.S. market has a lot of potential as the game portal market is still in its early stages.

Mobile/Wireless

- **Samsung Electronics announced its move to partner with Debitel, a German mobile operator having more than 10 million subscribers, German T-DMB providers, MFD (Mobile Fernsehen Deutscland GmbH) and T-Systems, to launch the pilot services in three major World Cup cities of Berlin, Munich and Cologne.** The official service is scheduled for May. Samsung supplies SGH-P900, the first T-DMB phone ever introduced in Europe, to Debitel, while MFD provides contents and T-Systems is responsible for broadcasting. According to Samsung, the deal would enable the company to have a head start not only in Europe but also in global mobile TV market. The company is also aiming to get a 20 percent control of the global mobile TV market where demands for this year are expected to reach 6 million units. Samsung Electronics and three other firms have been pushing to launch the trial DMB service in the cities of Berlin, Munich, and Koln from mid-March before putting the service into full commercial operation from May. DMB, a South Korean developed mobile broadcasting standard, allows customers to view digital television broadcasts on mobile phones, laptop computers and other handheld devices. South Korea was the first country to launch commercial operation of the mobile broadcasting service last year.

- **A top official of Pantech said that the company's survival depends on the global markets. The Pantech Group said it aims to sell from 22 to 23 million mobile phone units valued at US$3 billion.** In terms of regional targets, the company aims to ship 11 million units to North America, 2.6 million to Latin America, 2.8 million to Europe, and 3.3 million to the Asian region. The Pantech Group said that when Pantech Co. and Curitel, a handset-manufacturing affiliate of Pantech Group, advance into the same market with CDMA and GSM business, the two affiliates would cooperate to create synergy effect. Pantech Group estimated this year's global handset shipment to be 857 million units, which represents an 11.8 percent rise than in 2005. The company said demands in major emerging markets such as India, China and Africa would jump 52 percent in 2006 and 55 percent in 2007, outnumbering North America, Western Europe and Japan.
- **Mobile carriers are observed to be giving out more than 200,000 won (US$200) in illegal subsidies prior to the partial lift of the handset subsidy ban.** The amount is more than double than what is expected to be allowed as a legal subsidy amount once the ban is eased. The amount is described as the sum total of a direct subsidy from the mobile carriers, the commission retail stores receive from mobile carriers for signing up new subscribers, and a subsidy that retail stores receive from handset manufacturers.
- **Three companies – Samkwang Industries, Samyoung Technology and Hansung Elcomtech – announced the signing of deals with Nokia. Samkwang Industries said it recently signed a contract with Nokia to build a mobile phone case plant in Mexico.** The company is now constructing the facilities, which it expects operate by May this year. The new plant will be capable of annual 3 million units of production, and the company plans to increase production capabilities to 10 million units over the next five years. Samyoung Technology, which produces keypads used for Motorola RAZR phones, is also in final talks with Nokia to provide super slim keypads made of metal beginning in the second half of this year. Hansung Elcomtech established a joint venture with a Taiwan vendor to provide EL keypads to Nokia.
- **The government plans to add some 300,000 low-income families and the handicapped to the list of beneficiaries of its wireless telecom service discount program, a move that will increase the total from 3.3 million last year to 3.6 million.** The figure amounts to around 10 percent of the population. The Ministry of Information and Communication and 10 backbone carriers including KT and SK Telecom agreed to increase the number of beneficiaries to 3.6 million, and draw up detailed action plans by the first half of this year. Based on the electric and communication public service law, telecom operators have been providing free or discount rate service for the marginalized and handicapped. The handicapped accounted for 88 percent of some 3.2 million who benefited from the program last year, and MIC is now seeking to expand the coverage into low-income families this year. The ministry and telecom companies aim to launch the reinforced program in the second half of this year after consultation in the first. Discounts valued at 291.6 billion won (US$300.1 million) were offered in 2005, and the figure will likely increase by some 30 billion won (US$31 million) this year.

- **IDC predicted that NAND adoption increase among mobile handsets would go beyond 80 percent by the last quarter this year, a figure that was below 40 percent in the 4th quarter last year.** The figure shows how fast mobile handsets are adopting NAND memory when compared with the increase among MP3 player or USB flash drive that stands around 20 percent. SK Securities said that although NAND memory had successfully been upgraded to 8GB version, it was still expensive as storage for images. The report concluded that the majority of demand for NAND memory would come from music phones.
- **Fujitsu Limited and KDDI Corporation are pleased to announce their plans to cooperate on a new range of mobile solutions built around the au E02SA, the new mobile handset with built-in wireless LAN designed for corporate use.** Fujitsu and KDDI hope to start introducing new solutions, incorporating business IT systems and mobile telephony, from July of this year. Under the agreement, both Fujitsu and KDDI, who have proven track records in VoIP technology and corporate system constructions, aim to increase the use of wireless LAN au mobile phones in future corporate systems, and help revolutionize client work styles by actively expanding mobile solutions, thus enhancing value-add for their corporate clients. Fujitsu will develop and provide BREW wireless LAN au mobile phones for KDDI. KDDI will continue to develop functionality in the E02SA, the wireless LAN au handset designed for corporate use. The E02SA can be used for making extension calls in the office as well as an au mobile phone outside, thus improving business efficiency for companies. KDDI will provide mobile phone and fixed line services.

Media, Entertainment and Gaming

- **Reigncom, a company known as the manufacturer of iRiver mp3 player, is looking to devices supporting WiBro and DMB services, a move that is seen as an attempt to look for other products to develop.** The company unveiled WiBro device G10 and the three new products to be released in the second half of this year. V10 is a PMP that supports T-DMB as well as music and video play.
- **ArenaNet and NCsoft Corporation announce the release date of Guild Wars Factions, the much anticipated second game release from the critically acclaimed studio.** Guild Wars Factions will be available in stores worldwide by April. Guild Wars Factions takes place on the Asian-inspired continent of Cantha, where new Guild Wars players join an epic quest to defeat an ancient evil and save a war-torn empire. New players will join the more than one million gamers already playing Guild Wars worldwide, and existing players will have a new continent and storyline to explore within the universe of Guild Wars, the ground-breaking online role-playing game that took the gaming world by storm in 2005 with its innovative design, depth of play and no-subscription-fee model.

Telecommunications

- **SK Telecom and KTF, two firms that expressed determination to expand WCDMA and start HSDPA this year, are said to have the tendency to adopt WNSRP solutions for seamless roaming with foreign operators.** Radvision Korea, an IP and multimedia application provider mentioned the possibility of Korean operators' adopting WNSRP solutions. To achieve various applications under WCDMA environment, operators should break current 3G handsets' 5 to 6 seconds of call setup time, which requires WNSRP. According to Radvision, global 3G operators such as Vodafone, Hutchison and Orange already included WNSRP in the list of necessary features of 3G-communication.
- **The country's top two telecommunications operators, SK Telecom and KT Corp., are looking to Asia for their expansion. SK Telecom, whose revenue exceeded 10 trillion won (US$10.3**

billion) for the first time last year, has designated the global market as a key engine of growth for the year ahead. SK said the company would focus largely on Vietnam and China, with the aim to spend 300 billion won (US$309.6 million) to extend its mobile communication service across the whole of Vietnam. Within the next few months, SK said it is set to launch its wireless Internet business in China. Late last year, KTF began its push into Japan with the sale of a 10-percent stake in the company to Japanese telecommunication giant NTT DoCoMo. Early this month, KT and KTF began frequent visits to Japan to discuss communication network, service and technology sectors with their Japanese counterparts. According to KTF, assuming the Chinese government gives the go ahead for W-CDMA, mobile-handset makers from the three Asian countries will start co-developing phones for the service.

- **Ubistar was named as a preferred candidate for auction of Onse Telecom, a backbone telecoms carrier presently under receivership.** If the deal with Ubistar is sealed, it will mark the first merger-and-acquisition deal between a networking gear maker and a telecom operator. The two companies said they plan to exchange a memorandum of understanding and sign a deal soon. Onse Telecom has been under receivership for almost three years. Ubistar disclosed that it aims to become a total telecom business with the merger with the telecom operator. Ubistar set the bidding price to around 150 billion won (US$154.8 million), according to industry sources. The networking gear maker has repeatedly said that it aimed to incorporate wired and wireless service into ubiquitous, which it aims to foster as a mainstream business. The company has also been seeking to expand the business areas from Internet telephony and location-based service and handsets into a broad range of telecom products and service. It plans to combine wireless and LBS (Location-based services) technology with broadband and wireless Internet service. Industry experts agree that the Ubistar deal will most likely create a synergy between networking gear and telecom service business.

China

Internet

- **The National Police Agency of China announced the locking out of Lineage accounts used illegally in China for trading items.** It asked NCsoft to lock out Chinese traders' 175,000 accounts used illegally. Some 161,000 accounts the National Police Agency ordered closed are free accounts effective only for three days and only 10,000 accounts are chargeable accounts. Free accounts are provided to users to test games without charge for three days before opening an official chargeable account.
- **China.com Inc. announced that it has entered into a strategic partnership with ProAdvertising, a leading online advertising agency in Italy, with the aim of launching the web site, Italy.China.com.** The new web site is expected to offer the Chinese community access to a wide range of information related to Italy in their native language and create a conduit for Italian companies to promote their products in China. The China.com web site gets some 6 million visitors per day, with its domain name considered one of the most valuable URLs in the world. China.com, which provides mobile value-added services, Internet services and online games and an 81 percent-owned subsidiary of CDC Corp., is expected to list on NASDAQ this year.
- **Alibaba.com and the Agricultural Bank of China (ABC) announced their signing of an agreement that will allow them to cooperate on e-payments.** Under the agreement, the two companies will be jointly working on e-payments for both the enterprises and individuals. The cooperation is aimed at reducing the online trade credit risks and to improve the e-commerce market in China. The Agricultural Bank of China has about 30,000 branches with the leading e-bank network in

the country. Alibaba runs online commerce sites that link foreign buyers with Chinese wholesalers. It has recently announced that it has no plans in the near future to prepare for an IPO.

- **Global eXchange Service Inc (GXS), a provider of B2B e-commerce solutions, announced the setting up of a partner relation with China Enterprise Communications Ltd.** According to the agreement, the two companies will jointly set up a B2B e-commerce platform, called China e-Auto Hub, in a bid to offer services to some 5,000 enterprises in China's developing automobile industry. In the partnership, China e-Auto Hub will provide a safe and custom-built B2B e-commerce platform for China's automobile industry. Those in the industry will be able to make online transactions with global trade partners and supply chains. China e-Auto Hub is the first e-commerce project in China's automobile industry approved and sponsored by National Development and Reform Commission of China (NDRC) in 2005.
- **C-Travel International Ltd. announced that it has agreed to form a strategic alliance with ezTravel, through a minority stake in the latter.** The partnership is expected to enable both companies to look into opportunities in the Greater China area in the future. C-Travel is a company incorporated in the Cayman Islands and is wholly owned by Ctrip.com International Ltd. ezTravel is a leading online travel service provider in Taiwan that offers both individual and group tours in addition to hotel and airline tickets reservation services. The transaction has been approved by the Boards of Directors of both C-Travel and ezTravel.
- **A high turnover characterizes China's online auction market, as figure in that market soared to 13.9 billion yuan (US$1.7 billion) in 2005, representing an increase of 235 percent over the previous year, according to Analysys International.** The report said the number of registered users for online auctions in China totaled 37.8 million, more than double the number from the previous year, with Taobao.com, the flagship site of Alibaba, contributing some 57.7 percent of the turnover. EachNet followed Taobao.com, with market share of 31.5 percent Yahoo China's Yi Pai of Yahoo China brought in 5.7 percent, while Pai Pai of Tencent accounted for 3.7 percent.
- **Tom Online Inc. announced a 55 percent growth in its fourth-quarter net profit from a year earlier.** The company, however, said its revenue growth from wireless services, which accounts for most of its total revenue, is slowing down on an on-quarter basis. Officials said they expect flat growth in the first three months of this year as a result of seasonal factors even while they look to a stronger second quarter given the forecast greater use of mobile information services during the World Cup soccer tournaments. For the quarter ended Dec. 31, 2005, Tom Online registered a net profit of US$12.7 million for the quarter ended Dec. 31. 2005, compared with US$8.2 million a year earlier. The company said its revenue went up by 40 percent to US$48.1 million from US$34.5 million a year earlier. The fourth-quarter result showed a slight decline from the third quarter, chiefly because of currency exchange losses. Excluding that factor, the company's net profit climbed by 8 percent on the third quarter. Its revenue from wireless services came to US$44.6 million, a 40 percent rise on year, but up just 3.4 percent from the third quarter. About half of its annual growth came from music-oriented services, such as ringtones, downloadable songs and an online sharing service for amateur musicians. The company registered revenue of US$17.8 million from its SMS during the quarter, a figure representing a 60 percent increase from a year earlier, but flat compared to the third quarter.

Mobile/Wireless

- **China Mobile (Hong Kong), China's largest mobile operator by subscribers, announced a net profit of 53.5 billion yuan (US$6.6 billion) for 2005, a figure that represents a 28.3 percent from the previous year.** The company ascribed the performance to strong subscriber growth. The company said that its operating revenue posted 243 billion yuan (US$30.2 billion) in 2005, a 26.3 percent over the previous year. In 2005, the company said it has signed up 20 percent more subscribers to 246.6 million in 2005, a number that accounts for almost 66 percent of total mobile subscribers in China. The company attributes its growth to greater usage of its non-voice business.
- **Haier Corp., a leading Chinese manufacturer of household electrical appliances, and Metalink Ltd., a leading provider of high performance wireless and wireline broadband communication silicon solutions, announced their partnership aimed at developing advanced consumer electronics products.** The products are seen as enabling wireless multimedia networking throughout the home. Haier is planning to incorporate WLANPlus technology in its upcoming product lines of television sets, DVRs, DVDs and other consumer electronics products. Metalink's WLANPlus is the first MIMO based (Multiple-Input Multiple-Output) wireless chipset designed to become the infrastructure network of the broadband home. Under the partnership, Haier will use Metalink's 802.11n WLANPlus technology for integration. The two companies said they would be targeting their wireless home-networking products at the growing market for digital and online entertainment, including on-demand gaming, music and video services.
- **China Digital Communication Group disclosed that it has secured a US$6 million bank line of credit from United Private Equity Ltd., a venture capital firm.** Good for a term of three years, it will be used exclusively for merger and acquisition activities of businesses in the 3G communications industry. The company said the credit facility would be secured by US$9 million of stock of certain of the company's major shareholders. China Digital Communication Group is one of the fastest growing battery components manufacturers in China.
- **China GrenTech, a Chinese wireless product and service provider, announced an IPO plan that will include an offering of American depositary shares worth about US$100 million.** China GrenTech provides most of its products and services to two leading Chinese telecommunications companies, China United Telecommunications and China Mobile Communications. The company posted net income of US$22.8 million in 2005 on revenue of US$89 million. China GrenTech said fund to be raised from the IPO will be used to invest in research and development, expand production capacity, strengthen sales and marketing efforts, construct new facilities, and for working capital and general corporate purposes. It disclosed that net proceeds from the IPO are estimated at US$67 million, based on a price of US$15 per ADS.

Media, Entertainment and Gaming

- **China Digital Media Corp. announced that it has initiated services under a joint venture company with the Guizhou provincial TV station through its affiliate Guangdong HuaGuang DigiMedia Culture Development Ltd.** The purpose of the media group is to develop innovative programming for a TV channel to be launched two months from now. The channel is scheduled to have approximately 1,700 hours of self-produced TV programs every year, targeting lifestyle and entertaining topics to the community at large.

Software

- **Oracle China said it has announced plans to enter 26 second-tier cities in China. The plans include recruiting more partners to support the needs of mid-market organizations across key industries in China.** In the initial phase of its mid-market initiative, Oracle China plans to cover 11 cities, primarily within the provincial capitals. They are Nanjing, Hangzhou, Xiamen and Fuzhou in East China, Shenyang and Ji'nan in North China, Xi'an, Urumqi and Chongqing in West China and Zhengzhou and Wuhan in Central China. According to the firm, mid-market organizations are transforming themselves from a labor-intensive model to one of automation, utilizing information technology to improve productivity and lower costs. Given this position, Oracle China said that it is in a strong position to help local be competitive in both the domestic and global markets. Oracle said it plans to make its presence felt in 15 more second-tier cities across China in 2006. Oracle China currently operates out of four offices, which are in Beijing, Shanghai, Guangzhou and Chengdu It maintains two development centers in Beijing and Shenzhen.

Hardware

- **Working with a group of 20 banks and financial bodies from 12 counties, China Lenovo announced that it has secured a US$400 million revolving credit and term loan.** China Lenovo said the syndicated loan that is good for a term of five years would be used mainly to refinance the loans it took for the IBM PC takeover last year. Arrangers and underwriters for this loan include the ABN AMRO, BNP Paribas Hong Kong, Citibank, HSBC, ICBC (Asia) and Standard Chartered Bank (Hong Kong).

Semiconductors

- **CSMC Technologies Corp, a chipmaker announced its plans to push its growth by way of huge investment in its new product, power management wafers.** The announcement came after the company disclosed a net loss of US$6.8 million for 2005. The mainland-based chipmaker said it would invest US$31 million to be used for the purchase of additional equipment for a recently acquired Beijing factory. The factory manufactures DMOS wafers, which are used in power devices such as battery chargers. CSMC expects sales of non-logic products, mainly power management wafers, to account for 50 percent of its total turnover this year. The company sees the Beijing factory producing 15,000 wafers monthly this year, with its full production capacity to reach 20,000 wafers a month. CSMC said its capital expenditure is expected to reach US$50 million, a figure that is attributed mainly for Beijing's equipment purchase and plant maintenance.

Ventures/Investments

- **Motorola, Inc. announced the three new investments it has made in China through its venture capital arm Motorola Ventures.** The investments include what Motorola placed in Shanghai NewMargin Venture Capital Enterprise, Shenzhen Shenxun Information Technology Development Co. Ltd. (SXIT) and Legend Silicon Corp., parent company of Legend Silicon Beijing. As the largest investor in Shanghai NewMargin, Motorola said it would cooperate with SXIT on both platform and applications such as LBS and enterprise solutions. Under this alliance, Motorola expects to increase its ability to provide customers with unique and customized services. The agreement between Motorola and Legend Silicon is on the design, development, and manufacturing of demodulator chips for the emerging mobile TV businesses. This investment is expected to help Motorola gain a strong foothold in the mobile TV and 3G industries in China. Motorola's total investment in China reached US$3.6 billion by the end of 2005.

- **According to China-based Zero2IPO, a venture capital research firm, mainland and foreign venture firms registered a record US$4 billion last year.** The research body said, however, that investments saw a 16.7 percent decline over the previous year to US$1 billion. A situation characterized by venture capital overhang is seen as a negative factor for the industry because of the spiraling deal valuations it causes. In situations like this, there is a tendency also to focus on the massive deals instead of looking to traditional start-up venture funding. Recently, the mainland-based Oak Pacific Interactive announced that it received US$48 million in late stage financing, which is on record the largest ever VC deal in China. An official of the Hong Kong Venture Capital and Private Equity Association and vice-president of Jafco Investment disclosed that an influx of U.S. venture capital firms was pushing up valuations.

Information Technology

- **HiSoft Technology International, an IT service provider, was selected as a Global Outsourcing 100 company, according to the International Association of Outsourcing Professionals (IAOP).** The Global Outsourcing 100 recognizes the world's top outsourcing service providers. The list is separated into two categories, one for the larger and more established companies and one for the rising stars. HiSoft, a leading IT Services outsourcing company in China, will be listed under the rising stars category. The firm has also been named in Deloitte & Touche's "Fast 50 China" program, and in Deloitte & Touche's Technology Fast 500 Asia Pacific for the second straight year. The award honors the fastest-growing technology companies in China and Asia Pacific area based on revenue growth in the last three years. HiSoft is an IT service provider with offices in China, Japan, and the U.S. Its shareholders include JAFCO Asia, Intel Capital, Granite Global Ventures and the IFC.
- **Reuters, the global information company, and Tsinghua School of Economics and Management (SEM) announced the opening a new financial risk research laboratory.** Under the alliance, Tsinghua University will be able to provide Reuters Kondor+ risk management and premium desktop Reuters 3000 Xtra financial information terminals to its School of Economics and Management. The laboratory will be affiliated with the China Center for Financial Research, a facility used for demonstrating the future of enterprise-wide, risk management solutions in the financial markets. The laboratory is seen as enabling students to learn and apply the most advanced models to a variety of simulated market risks and "live" derivatives trading situations, using Reuters Kondor+, live data feeds and real-time statement.

Taiwan

Semiconductors

- **Himax Technologies, a firm that designs and develops semiconductors, disclosed a plan to register for an IPO of up to US$200 million in ordinary shares.** The chipmaker said it would be offering American depositary shares, or ADSs, representing ordinary shares. Himax said it intended to use net proceeds from the IPO to fund its capital expenditures of US$26.1 million, including the purchase of equipment, software, and costs of construction for its new headquarters in Tainan, Taiwan. Net proceeds would also be used to repay various short-term loans of US$38.4 million and for general corporate purposes. For the year to December 31, Himax reported net income of US$61.6 million, up from US$36 million in the prior year.
- **Taiwan's Nanya Technology announced the building of a memory chip plant at a cost of NT$83.9 billion (US$2.5 billion), with its first production set for mid-next year.** Initially, the 12-

inch-wafer plant would have an initial monthly capacity of 24,000 pieces a year. The plant would eventually have a monthly capacity of 62,000 pieces; later, it would work on 70-nanometer process technology. Other than capacity expansion, Nanya Technology was building this advanced production plant to allow the cutting-edge technology it jointly developed with German partner Infineon Technologies to grow in the country. In 2005, Nanya Technology and Infineon signed an agreement to develop jointly 60-nanometre technologies for making DRAMs.

Hong Kong

Telecommunications

- **New World Mobile Holdings (NWM) announced going into red after it posted a net loss of HK$2.7 million (US$348,000) during the first half of December of 2005, compared with its net profit of HK$38.1 million (US$5 million) it registered a year earlier.** The firm is the mobile unit of New World Development that is soon to go into merger with CSL. The company said its turnover registered a 63.4 percent decline to HK$1.5 million (US$193,000) from HK$4.2 million (US$541,000). Given the impending merger of its mobile unit with CSL, NWM tagged its mobile business as "discontinuing operations", showing a 42 percent drop in profit to HK$47.6 million (US$6.1 million).

Media, Entertainment and Gaming

- **PCCW's Now Broadband TV's Business News Channel disclosed that it is looking to an expansion to the southern mainland, a move that is aimed at getting a broader audience.** The first 24-hour business news television channel in Hong Kong said it is targeting Hong Kong's one million stock investors, but it might also explore business opportunities on the southern mainland. Its business channel is seen as the first step into content production for PCCW. PCCW said the company would continue carrying Asia Television's 24-hour News Channel until the contract expired next year.

Singapore/Malaysia/Philippines/Indonesia

Information Technology

- **Seiko Instruments Inc. will found its first foreign R&D center in Singapore this April.** The center said it would aim toward developing data storage and other technologies in collaboration with multiple research labs under Singapore's Agency for Science, Technology and Research (A*STAR). Seiko Instruments' first foreign production site was also in Singapore, established in 1976.The firm will initially station two or three Japanese staff members at the new R&D center, which will function chiefly as a liaison office with A*STAR. The goal is to expand the staff to 10-20, mostly researchers, in 2010.

Internet

- **Pacific Internet, a Singapore-based ISP, announced the appointment of BNP Paribas Peregrine (Singapore) in a bid to explore options amidst the takeover bid from VoIP service provider, MediaRing.** The ISP, which is a parent of Australian ISP Pacific Internet, revealed that their options could include seeking suitable strategic or merger partners, facilitating or soliciting alternative offers. The company said they would also consider any proposals presented by interested parties. MediaRing provides both retail and inter-carrier VoIP services and maintains headquarters in Singapore and offices in San Jose, California, Beijing, Shanghai, Hong Kong, Taipei, Tokyo and Malaysia. It claims that its extensive partnerships with carriers around the world allow call terminations in more than 240 countries worldwide. The company claims that more than 95 percent of its revenues come from outside Singapore. In its results for the half year to 31 December 2005, MediaRing announced a net profit of US$5.2 million, up from US$0.4 million in the previous corresponding period.

Mobile/Wireless

- **Consistel (Singapore) Pte Ltd, a global wireless solutions provider and system integrator specializing in in-building wireless, revenue assurance and wireless network services, announced it has been awarded a patent by the Registry of Patents Singapore for its invention of the proprietary Panetro system, which is designed to enhance in-building wireless coverage in enclosed areas.** Consistel's Panetro solution helps wireless operators enhance their network coverage, specifically in wireless blind-spot environments, like elevators. Panetro enables wireless carriers to boost in-building coverage, provide continuous coverage for customers and increase user satisfaction. Consistel is a global wireless solutions provider and system integrator specializing in in-building wireless, revenue assurance and wireless network services ranging from business and technical consulting to network design, deployment and management.

Telecommunications

- **Temasek Holdings, the investment arm of the Singapore government, said that it looks to completing its purchase of a controlling stake in Thai telecommunications empire Shin Corp. from the family of Thai Prime Minister Thaksin.** Temasek made the statement despite the political unrests related to the firm. A movement to oust the Thai Prime Minister from office intensified last month after his family announced the tax-free sale of its 49.6 percent stake in the conglomerate to Temasek for US$1.9 billion. Temasek said it was aware that its investments came with political risks, but that it was going ahead with the deal because it was positive about Shin's growth potential.

United States/Canada

Internet

- **MSA Communication, an Internet phone service operator, announced its deployment of an international SMS service.** Users type the message in the company's own messenger program on their computer and then type in the country code and recipients' mobile phone number. Messages can be up to 80 characters long. Except for SMS sent to China, messages must be in English. The company says it is working to develop service allowing messages in Korean and Chinese to be sent anywhere in the world and users to receive SMS from abroad in its messenger program.

Media, Entertainment and Gaming

- **Apple Computer's iTunes music and video store, the world's largest digital music download service site, announced its plans to launch a new service offering Korean pops.** The company said it decided to team up with CJ Media to provide Korean pop music to iTunes, according to Rafelson Media. The company targets both ethnic Koreans and Asians and Americans living in the U.S. Rafelson Media formed a deal with Apple, and JC Music will be playing a role of content aggregator, which collects music sources. The firm said it is negotiating with a number of music distributors in the country to secure a wide variety of music sources for the service. iTunes is being serviced in 21 countries including the U.S. England and Japan, and accounts for some 80 percent of the world digital music market. It sold some 1 billion songs last month alone. The new service is expected to open a way for Korean pop music's expansion into the American market from Asia. CJ Music agreed to some 70 percent of hit Korean pop songs in the last 3 years, and cooperation with other music source providers than CJ Media, which has control over about 30 percent of music sources, remains the key.

- **Thomson announced that its Services division, through its Technicolor Home Entertainment Services business, provided integrated manufacturing, supply chain management, and anti-piracy solutions to Microsoft Corporation (MSFT) in support of the highly anticipated launch of Xbox 360, the new video game and entertainment system from Microsoft.** To support the launch of the Xbox 360 platform, Technicolor leveraged a number of its sites across North America and Europe, just as it did in the fall of 2001 with the initial launch of the first-generation Xbox console. For the Xbox 360 launch, Technicolor provided Microsoft, its partners, and its retail customers with a broad array of services, including anti-piracy consulting; optical disc manufacturing, packaging, and assembly; retailer-specific bundling, assortment, and custom configuration; distribution and fulfillment operations; and logistics management services. Technicolor Home Entertainment Services, part of the Services division of Thomson, provides complete DVD and CD manufacturing and distribution services, ranging from compression and authoring through to packaging, shipping, and returns processing, for leading Hollywood studios, video game publishers and manufacturers, independent rights holders, software developers.

Software

- **Intel Corp. revealed that it forecasts a boost in its market share in China this year, a trend that would counter the recent declines the company was experiencing due to increased competition from rival Advanced Micro Devices (AMD).** The U.S. chip giant has been steadily losing share in recent years both in China and globally to AMD, which began a worldwide campaign, according to industry data. Intel saw its share of the China market declined by 74 percent in 2004 from 90 percent in 2001, with that of AMD registering an 18 percent growth from 5 percent over the same period.
- **Salesforce.com and NetSuite announced expansion of their operations across Asia as part of their strategy as leaders in the software-as-a-service market.** Both firms offer business-automation software on demand via subscription over the Internet. The New York-listed Salesforce.com is focused on customer relationship management (CRM) software; the privately held NetSuite supplies integrated CRM, enterprise resource planning and e-commerce applications for small- and medium-sized enterprises (SMEs). Recently, Salesforce.com introduced its AppExchange platform in Hong Kong. AppExchange provides an online environment where developers and Salesforce.com partners can build, publish, market and distribute their software applications to a global audience, and target Salesforce.com's 20,500 corporate customers and about 400,000 online subscribers. NetSuite has established a wholly owned subsidiary in Tokyo ahead of new office openings this year in Shanghai and Beijing. NetSuite has already generated revenue of about US$200,000 a month from the region. According to IDC, worldwide spending on software as a service is expected to reach US$10.7 billion in 2009 from US$4.2 billion in 2004, according to analyst firm International Data Corp (IDC). SMEs and divisions of larger companies are on record the most frequent customers of software as a service.

Telecommunications

- **AT&T revealed its plan to invest part of its global US$8.5 billion investment budget in China.** The company, however, said it is not at the moment entering the basic services sector in China because of the country’s slow progress in opening up its telecommunications sector. A top official of AT&T stated that due to high entry costs, the firm shied from expanding further into China's basic telecommunications services segment, this despite its 25 percent stake in Shanghai Symphony

Telecommunications, a value-added services joint venture with China Telecom. The company cited the US$250 million fee demanded for a basic telecommunications services license as too costly for just a 49 percent minority stake. Given its commitment to the WTO, China is required to raise the foreign investment ceiling on mobile voice and data basic telecommunication services to 49 percent from December 2004, the third year after its 2001 accession to the trade body. Foreign investors can also own up to 25 percent of joint ventures offering basic services such as voice and fax in Beijing, Guangzhou and Shanghai. AT&T said it was in talks with China Netcom about possible alliance opportunities for the 2008 Beijing Olympics. Netcom is the games' exclusive fixed-line telecommunications partner. It announced also its plan to invest US$4 million in four new network nodes in Malaysia, India, Vietnam and Pakistan.

Europe

Telecommunications

- **Growth in TV and video services delivered over broadband will not be enough to halt the swift decline in the value of Western European fixed telecom services in the coming years, according to a report from Analysys.** The forecasts note that end-users' spending on fixed telecoms services is set to decline to under three quarters of a percent of GDP by 2011, half of its value in 2001. The report predicts that spend on voice will fall to represent just over 50 percent of fixed service spend by 2011. VoIP is not only accelerating the decline in the value of wireline voice, the report argues, but it also serves to increase the proportion of household communications budgets spent on mobile. Broadband take-up continues to exceed operator expectations as Analysys forecasts average household penetration to reach 60 percent by 2011. The report said TV and video services over broadband represent the greatest hope for maintaining spend levels, but in most European countries fixed operators would have to grow impossibly high ARPUs on TV and video in order to compensate for the scale of losses in voice and Internet. Entitled "Western European Fixed Telecoms: market sizings and forecasts 2001–11", the report analyses the key factors that are driving the fixed market in Western Europe, with a particular focus on the status of broadband and the potential impact of VoIP. Sizings and forecasts are presented for Western Europe as a whole, as well as for sixteen countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK

Mobile/Wireless

- **BenQ Mobile, a German-based unit of Taiwanese technology group BenQ, announced that it would start marketing handsets next month that could download software upgrades over the air.** The new capability of the device would eliminate the need for customers to connect to the Internet or take their phone to a shop for updates. BenQ took over the failing mobile-phone business from German conglomerate Siemens in 2005, transforming it to the world's sixth-biggest maker of mobile handsets. BenQ Mobile, which is still based in Munich, is determined to show it can bring cutting-edge products quickly to market, in contrast to when Siemens ran the business. Last month, the company said it would be the first to launch a high-speed downlink packet access (HSDPA) phone. HSDPA promises wireless Internet access and other services at speeds comparable to home broadband.