

# IRG WMR



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

*Week of 2 April - 8 April, 2006*

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## Weekly Highlights

### International

#### *Mobile/Wireless*

- **High Tech Mobile Forum (HMF) announced that it has reached an agreement to launch a Korea-China-Japan Mobile TV Forum.** HMF said that Chinese mobile phone makers, broadcasting companies and the government would launch a forum this year as T-DMB was considered to be the strongest candidate for China's mobile TV standard. The new forum stated that mutual exchange and cooperation with the Mobile TV Forum of Korea and Japan would also be the part of the cooperation. The forum said it plans to increase collaboration with Korean broadcasting companies, handset makers and mobile operators as South Korea's T-DMB, along with Nokia's DVB-H and U.S. MediaFLO, was expected to be the major standards in the Chinese mobile TV market.

### Japan

#### *Internet*

- **Nippon Telegraph and Telephone Corp. (NTT) said it will begin commercial trials of a next-generation telecommunications network (NGN) based on Internet Protocol technology.** NTT plans to begin full-fledged NGN services during fiscal 2007, and will use these trials to confirm technologies and define consumer needs. NTT said it will also announce information regarding terminals and applications for the services. It intends to promote the development of NGN-compatible devices and services among consumer electronics makers, video delivery companies and other communications providers, and will call on these firms to participate in the trials. Testing will be conducted by NTT's regional carriers, NTT West Corp., and NTT East Corp., in the greater Tokyo metropolitan area and in Osaka. The first tests will begin in December at NTT's showrooms in these two cities. In January, the tests will be expanded to residents of NTT group housing, and in April, will be further broadened to include regular consumers. NGNs are designed to use Internet routers so that consumers can enjoy the advantages of a high-speed network without paying high telecommunications fees. It will also allow video exchange with a resolution similar to that of high-definition TV.

#### *Mobile/Wireless*

- **NTT DoCoMo Inc., (DoCoMo) for the first time in three years, posted the biggest net increase in cellular phone service subscribers in the year ended March 31, 2006, a performance that saw it beating rival KDDI Corp. by a narrow margin, according to the data released by the Telecommunications Carriers Association.** The report said DoCoMo logged a net increase of 2.3 million users, a performance that was enhanced by the firm's revision of its rate plans last autumn as well as its successive release of new 3G handsets. A leader for the last two years, KDDI registered a net increase of 2.3 million subscribers. While its au-brand cell phone service reported a net increase of 3.1 million – a figure that exceeds DoCoMo – the Tu-Ka service, which it acquired last October, saw a net decline of 850,400 as users switched to au. Vodafone was No. 3 with a net increase of 169,200 subscribers, a performance that it ascribed to the delay in the launching of its 3G service. Willcom Inc., the largest provider of personal handyphone system (PHS) service, saw a 30-percent rise in the number of its subscribers, by registering a net increase of 860,400 users drawn to the popularity of its fixed-rate plans for voice and data communications. The report indicated that mobile phone services posted a

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combined net increase of 4.7 million subscribers, the lowest figure since this survey was initiated in 1996.

- **Nepro Japan Co., the operator of 35 shops selling mobile phone handsets, announced its plans to go public on the JASDAQ Securities Exchange.** Nepro Japan was first a real estate-related consulting firm before it began selling PHS (personal handy-phone system) handsets in 1995. The company purchases, directly from manufacturers, terminals that are compatible with each of the three major mobile phone services provided by NTT DoCoMo Inc., (which account for more than 70 percent of the firm's total mobile phone sales), KDDI Corp., and Vodafone KK. The company's retailing forms about 80 percent of its unit sales. The company expects group pretax profit to post a 17 percent growth to 750 million yen (US\$6.3 million) for the year through March 2007. It forecasts a 5 percent gain in sales from the mobile phone business, including the sale of PHS handsets, helped by the introduction of a portability system that allows users to keep their phone numbers even if they change carriers. Nepro Japan said it aims to use some 300 million yen (US\$2.5 million) in proceeds from the IPO to open new shops and renovate existing ones. Mitsubishi UFJ Securities Co. is the lead manager of the offering.
- **Faith Inc., a provider of music distribution technology, announced its decision to acquire the operating rights to Giga Networks Co., a cell phone ring-tone distributor, from the Ricoh Co. group for 12 billion yen (US\$101.4 million).** With the acquisition, Faith said it aims to use Giga Network's roughly 4 million subscribers to expand its own operations. Giga Networks is an in-house company operated by women's apparel retailer San-Ai Co., a wholly owned subsidiary of Ricoh Co., a firm that makes copiers and office equipment. San-Ai said it will sell the operating rights to Giga Networks to a 100-percent owned subsidiary of Faith to focus on its mainline apparel business. Giga Networks' ring-tone services rank second among those offered via NTT DoCoMo Inc.'s i-mode Internet access service for cell phones.
- **Net-2Com Corp., a communications software firm, announced its partnership with Beijing-based China TechFaith Wireless Communication Technology Ltd. to develop a multifunction handset that can be used as an IP (Internet Protocol) phone when in the range of a wireless LAN (local area network) and as a HSDPA (High-Speed Downlink Packet Access) mobile phone in other areas.** The wireless function built into the handset means that it can be used as an IP phone for free telephone conversations anywhere a wireless connection to the Internet exists, including not only wireless LANs in offices but also any public hot spot. Since the handset supports the GSM protocol, it can be used in Europe and North America as well as in Japan. Net-2Com said that it will license the basic technologies to mobile virtual network operators and handset manufacturers.

## *Media, Entertainment and Gaming*

- **Nippon Game Card Co., which sells prepaid cards used at pachinko parlors, disclosed its plans to list on the JASDAQ Securities Exchange, a move that the company said is aimed at "improving social credibility" rather than raising funds.** The company was established in 1989 as an affiliate of Sumitomo Corp., specializing in card payments for pachinko games. After a series of counterfeit card cases in the mid-1990s, Sumitomo withdrawn from the business. Currently, Nippon Game Card is an equity affiliate of Sankyo Co., a major pachinko machine maker. Sankyo holds about 45 percent of the prepaid card company's outstanding shares. Nippon Game Card's profits come from sales of prepaid cards, pachinko ball dispensers, account-settlement and other machines to pachinko halls. Analysts say the company's parent-only pretax profit is likely to have posted a 3 percent rise to 4.7 billion yen (US\$39.7 million), in fiscal 2005, on sales of 28.7 billion yen (US\$242.5 million), a 20

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percent decline from a year earlier. The company sees future growth coming from selling cards for slot machines and from the introduction of electronic money based on cell phones. Lead manager for the offering is Shinko Securities Co.

## *Software*

- **Hitachi Ltd. and NTT Data Corp. announced the formation of capital tie-ups with an Oracle Corp. Japan subsidiary in order to support its development of Linux operating systems.** Under the deal, each company will acquire from Oracle Corp. Japan a 4 percent interest in Miracle Linux Corp., making Hitachi and NTT Data the third-largest shareholders in Miracle Linux. Oracle Corp. Japan will remain as the largest shareholder with a 50.5 percent stake and NEC Corp. as the second largest shareholder with a 14 percent interest. Hitachi said it plans to introduce Miracle Linux's Asianux operating system on large computers used for its backbone operations. NTT Data will adopt Asianux for information systems that use database software developed by U.S. firm Oracle Corp. Miracle Linux is aiming under the agreement to enhance the popularity of its operating system by having Hitachi and NTT Data as major stockholders.
- **NEC Corp. revealed the agreement that it has forged with EMC Corp. on the joint development of data storage devices.** The two companies said they plan to develop small and midsize devices with data storage capacities of 50 terabytes or less. Expected to be commercialized as early as next year, the devices will be manufactured in a domestic factory by NEC and supplied to EMC, the world's leading storage device company, under an OEM agreement. NEC and EMC said they will also consider co-developing and mutually supplying software. In addition, NEC will promote EMC products to its clients when developing corporate information systems for them in Japan. Demand for business-use data storage devices has been growing, as more information is now stored in digital form. After achieving double-digit growth last year, the global market is forecast to continue expanding this year and beyond. According to IDC Japan, NEC's share in the domestic market was 8 percent in the first half of fiscal 2005, as it lagged behind market leader Hitachi Ltd. and No. 2 Fujitsu Ltd. EMC's sales went up by 17 percent on the year to US\$9.6 billion in 2005, with 20.7 percent share of the global market. In Japan, EMC has only 10 percent of the market.
- **Nihon Unisys Ltd. disclosed its plans to market design systems to automakers and parts suppliers that are setting up operations overseas.** The company said it will begin by selling a metal mold design system based on its Dynavista CAD/CAM (computer-aided design and manufacturing) software in Thailand and Taiwan this spring, with plans to release it in Indonesia this summer. The company said it is considering selling in India, Spain and Portugal. Nihon Unisys used to sell such systems only in North America and Germany, but last summer it expanded its sales territory to include nations with developing auto industries, such as China, the Czech Republic and Turkey. Countries including Thailand, Indonesia and India are seen as growth markets for passenger cars and motorcycles, and demand for information systems is climbing rapidly there. With automakers and parts manufacturers increasingly moving production offshore, Nihon Unisys said it is aiming to respond to the demand.
- **System D Inc., a software developer, said it has received approval to list on the Osaka Securities Exchange's Hercules Market.** The company said it will conduct a book-building for the IPO shares from April 12 to 17, 2006. For the fiscal year ended September 2005, the company posted a parent pretax profit of 288 million yen (US\$2.4 million), net profit of 170 million yen (US\$1.4 million), and sales of 1.5 billion yen (US\$12.6 million). Cosmo Securities is the lead underwriter of the offering.

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## *Hardware*

- **Pentax Corp disclosed that it is discussing with a subsidiary of South Korea's Samsung Electronics about the joint production of digital single lens reflex (SLR) cameras.** Pentax revealed that losses in its camera division were smaller than expected for this financial year. The firm said it had earmarked about 10 billion yen (US\$84.5 million) to be used for acquisitions over the next year to boost growth. In October 2005, Pentax said it would jointly develop digital SLR cameras with Samsung Techwin but the agreement did not extend to production. In this latest development, the company said it was now in discussions with Samsung about joint production of SLR bodies

## *Semiconductors*

- **Sharp Corp. disclosed that it has worked with the Shizuoka University Innovative Joint Research Center on the development of a fast-switching next-generation type of nonvolatile memory device that can be fabricated inexpensively using existing manufacturing technologies.** The chip is dubbed RRAM (Resistive Random Access Memory). The team said it responds so quickly to a change in resistance that data can be written and read from the device around 1,000 times as fast as NAND flash memory now used in phones and digital cameras. For fourth-generation wireless phones now under development, data will be transmitted at speeds on par with an optical network.
- **Matsushita Electric and NEC disclosed that they were discussing with Texas Instruments to create a joint venture that would manufacture chips for 3G mobile telephones.** The three firms said they are looking to this summer to develop chips for 3G devices manufactured by Matsushita and NEC. The announcement said that the new venture is expected to have a 10 billion yen (US\$84.5 million) capitalization.

## *Telecommunications*

- **KDDI and Tokyo Electric Power (Tepco) announced reaching an agreement that would pave the way for the merger of their fiber optic network businesses.** The tandem is seen as competing against the bigger rivals in the country's broadband industry. The two companies, both considered as minor players in the industry dominated by former government monopoly Nippon Telegraph and Telephone Corp, said they would begin due diligence immediately, with the aim of getting to a final decision by September. Fiber optics relay data at much faster speeds than other types of broadband, and are seen as evolving into a major way by which digital gadgets in homes link to the Internet for entertainment downloads, e-mail exchanges and Net surfing. KDDI and Tepco already have business ties with KDDI acquiring Tepco's telecom unit PoweredCom in January 2006, in a deal aimed at bolstering its fixed-line phone business.

## **Korea**

### *Internet*

- **Hanaro Telecom Inc. announced the formation of a strategic partnership with the South Korean unit of Lenovo Group Ltd., which marks the first time that the company has formed a business partnership with a foreign counterpart.** Under the partnership, Hanaro Telecom disclosed that it will use 164 Lenovo sales outlets across the country to attract subscribers for its Internet services, while Lenovo will offer high-end PCs to subscribers of the Hanafos Internet service provided



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by Hanaro Telecom. The two companies said they will decide how long they will remain partners in further negotiations. A top official of Hanaro Telecom said the company will continue to cooperate with advanced business partners from abroad to seek sustainable growth. Hanaro Telecom has 3.6 million subscribers in South Korea as of March.

- **Dacom and Powercom, its affiliate, announced a collaboration that would integrate their network and create synergy effects.** Under the agreement, Dacom said it would launch about 30 integrated network stations this year through integration of local network stations of the two companies and key backbone network equipments in the stations in major areas such as Busan and Incheon. The two companies said they plan to level up their network to IP backbone network based on softswitch and subscriber network to optic LAN with 400 billion won (US\$419.4 million) budget allocated to their investment.
- **Industry data indicate that wireless Internet firms are heading for the KOSDAQ, with four mobile solution firms – Infra Valley, Ontimetech, Witcom and Infracore – listing on the KOSDAQ market last year alone.** Another firm, MobileTop, recently joined the list. Four wireless solution vendors – InfoBank, Point-I, GeoTel and XC – filed for preliminary evaluation already. IntroMobile and NeomTel are also making similar moves. Most of these mobile solution firms were established in the late 1990s, but they have become new rich ventures, driven by fast growth of the wireless telecoms and Internet market. They are also expected to become a new growth engine of the tech stock market. Analysts believe that the prospects for other firms planning an IPO are bright given mobile solution firms were long undervalued and that investors need to look at the potentials of these companies. Already, IntroMobile disclosed that it has secured a US\$8 million dollar deal with a leading U.S.-based wireless carrier T-Mobile. NeomTel is presently generating royalties from Qualcomm for its mobile graphic technology.

## *Mobile/Wireless*

- **Pantech Group and Disney Mobile jointly announced their plans for the DM-P100, the first wireless handset in the Disney Mobile portfolio.** The two companies said the new mobile phone was scheduled to hit the U.S. market with the launch of Disney Mobile this summer. Disney Mobile is the first comprehensive mobile service built specifically for families. It will include custom handsets, extensive entertainment content, and an innovative package of features and applications that meet the unique communication needs of families. According to the companies, the Disney Mobile was designed to be a mobile phone service that kids and parents can agree on, with the handset made attractive to all members of the family and fitted with camera phone and other capabilities important for kids. Disney Mobile said that by working with Pantech, the company was able to customize the handset for family applications.
- **KTF Co, South Korea's second-largest mobile network operator, announced that it would launch a mobile phone handset that would allow high speed wireless access to the Internet in early October.** The company said it would introduce an exclusive mobile phone handset that would enable WiBro service access. In a separate report, KTF Co. disclosed that it had the largest number of new subscribers in March, beating its rivals for the third month in a row. The nation's three mobile providers added a total of 184,122 new subscribers last month, with KTF obtaining a net 83,561 new clients; market leader SK Telecom Co. having 65,369 new clients; and, LG Telecom Co. adding 37,192 new customers. KTF had a total of 12.5 million subscribers as of year end March 2005. KTF also said it provided subsidies to 36,520 customers for the last five days of March, after the resumption of the provision of handset subsidies following the easing of the government ban.

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- **KT and SK Telecom, the two rivals in the Korean wireless Internet service, announced their entering a relationship based on “copetition” or cooperation-and-competition strategy.** Under the agreement, KT introduced Nspot-Cyworld service, SK Telecom's Cyworld mini homepage optimized for W-LAN Nspot-enabled Swing phone and PDA. According to KT, the PDA version of Cyworld retains the original arrangement as much as possible for users' convenience. Users can take pictures with the camera built in the Swing phone and upload them onto their mini homepages at the same time. KT defined the Nspot-Cyworld service as a type of copetition where, to satisfy their customers, they try to realize convergence between competitors' services as well as fixed and wireless network. The two companies said they also plan to pursue convergence between products and among different industries.
- **Industry sources say about 8 in every 10 ten Koreans are mobile phone users, a figure that corresponds to some 39 million customers out of a total population of 48 million.** The number is forecast to go beyond the 40-million mark later this year. During the first three months of this year alone, more than half a million new customers joined Korea's three mobile operators SK Telecom, KTF and LG Telecom. At the current pace, some 1.7 million more are expected to subscribe during the remainder of the year. Analysts point to the easing of regulations on handset discounts from operators as one of the main drivers of this growth. KTF said that most of the new customers are young students prodding experts to suggest that, to attract older customers, mobile providers should offer new services. Another option is to encourage users to have more than one handset, citing Scandinavian countries and even Hong Kong knows for penetration rates going above 100 percent, which is ascribed to multiple subscriptions.

## *Media, Entertainment and Gaming*

- **NCsoft said that Guild Wars Chapter2 Pre-Order Box that was released into the Europe Market has been ranked highly as one of the best three since it became a huge hit in Amazon shopping mall of Germany and France just in two days after its unveiling.** The 'Pre-Order Box' is a kind of marketing method employed in the European and the North-American markets. It attracts attention even before the official release of the product. Known also as Guild Wars Faction overseas, 'Guild Wars Chapter2' provides an opportunity to experience the game for a while before official service to advanced buyers and also provides additional benefit at the moment of official service. After the previous release of Guild Wars posted a million in sales, the company said there was a strong anticipation for another hit in Guild Wars Chapter2. In the preview, the Guild Wars Faction registered some 500,000 users worldwide for 3 million hours.
- **Celrun, an IP set top box maker announced that it would provide IP Settopbox worth 57 billion won (US\$59.7 million) to Hanaro Media, an IPTV service company.** Hanaro Media, a subsidiary of Hanaro Telecom, said it plans to launch VOD (Video On Demand) service that it tentatively dubbed Hanapos TV, which is capable of providing movies via set top box connected to an Internet line. The device supplied by Celrun is a convergence product capable of receiving HD grade terrestrial broadcasting and Internet VOD. Last January, Hanaro Media started a pilot service of Hanapos TV.

## *Information Technology*

- **Etronics announced that it will provide 500 gap-fillers for TU Media's satellite DMB service this month.** The gap-filler for subway receives satellite DMB signals and relays them to waiting areas, ticket offices, passages and stairways in subway stations and trains so that DMB users in a maximum of three stations, including the nearest one, can access seamless broadcasting service. Etronics said



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Satellite DMB covers every corner throughout the nation, but there are shadow areas such as underground or tunnels where gap-fillers are necessary to catch signals from the satellite.

## *Telecommunications*

- **SK Telecom Co. disclosed that it surpassed the 20-million subscriber mark in late March, a decade after it first commercialized the code-division multiple access mobile telecom standard.** SK Telecom has 19.7 million domestic subscribers and a total of 20.1 million subscribers if subscribers at its Vietnamese subsidiary SLD Telecom are included. With the number of local subscribers increasing by about 60,000 on average every month, the company should have 20 million local subscribers soon. By comparison, KT Corp., the nation's largest fixed-line phone operator, had about 21 million local call subscribers as of late February. According to industry sources, SK Telecom is the world's 21st company with over 20 million subscribers. Mobile telecom leaders include China Mobile, China Unicom, Singular Wireless and Verizon Wireless of the United States and Japan's NTT Docomo.
- **KT Corp. has plans to issue up to US\$200 million in U.S. dollar-denominated global bonds, with Merrill Lynch and UBS handling the sale, according to industry sources.** The bond issue could come as early next month. The maturity and timetable of the deal were not revealed. KT sold US\$400 million in 10-year dollar-denominated bonds in July 2005, at 98 basis points over the comparable U.S. Treasury. This move is considered significant after KT announced last December that it had plans to boost its capital spending to 3 trillion won (US\$2.9 billion) in 2006. From this fund, about 1 trillion won (US\$1 billion) would be set aside for the development of new services such as WiBro as IPTV. In a separate development, KT said it is thinking of reducing purchasing volumes of IP media-enabled handsets, as it prepares to purchase equipment used for fiber-to-the-home network service. The country's largest telecom carrier earlier unveiled a plan to invest some 250 billion won (US\$262.1 million) in FTTH (Fiber to the Home), which it plans to mostly use for IPTV service. The company recently sent requests for information to handset makers, however, limiting the service area to high-speed Internet. KT said it has decided to conduct a benchmark test on mass-market handsets used for high-speed data service instead of high-end models for triple play service including IPTV.

## **China**

### *Internet*

- **Baidu remains the most frequently used search portal as it accounts for some 56.6 percent of the market in China, according to iResearch.** Google comes in at the No.2 slot, with a market share of 32.8 percent. Combined, Baidu and Google hold nearly 90 percent of China's online search market. Yahoo holds a mere 5 percent share of the market. The report noted that Baidu was No. 2 three years ago. The research firm said Baidu is still expanding, with the report stating that China's users of search engines hit 97 million in 2005, a figure that stands for 87.4 percent of all netizens in the country. This number is expected to grow to more than 100 million in 2006, according to iResearch.
- **Yahoo! China announced its completion of the adjustment it was making to the Chinese search engine, a move that saw it abandoning the search mode using "one search box".** The portal said lack of interaction was one of the basic problems of the search mode with only one search box as it could not have the features that would allow communication, interaction and community. Web 2.0, according to Yahoo! China is what is needed to cope with the number of web pages available for search now that is approaching almost 1 billion. Aside from adjustment to the homepage, Yahoo!

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China said it will launch a series of vertical search services such as movie search, shopping search and tourism info search. It disclosed that it will deploy a new shopping search this year. The services will be available in its own web sites like Taobao and Alibaba and also in other domestic web sites that would include eBay, Dangdang and Joyo.

- **NetEase.com Inc, an Internet and online game provider, announced an investment of about US\$38 million to be used to set up a research and development center in Hangzhou, a city in China's eastern Zhejiang province.** NetEase said it already signed an agreement with Hangzhou high-tech economic zone, a move that will make official the launching of its Hangzhou R&D center. The company said the center will cover an area of 70,000 square meters.
- **51job, Inc., a leading provider of integrated human resource services in China, announced that it has reached an agreement to sell a 15 percent stake to Recruit, a Japan-based human resource service provider.** The share is priced at US\$13. As part of the agreement, Recruit will acquire at most 40 percent of 51job shares within the next three years. Recruit, one of the largest human resource providers in Japan, reported sales revenue of US\$3.5 billion during the annual fiscal year ending March 31, 2005.
- **The9 Ltd., a leading gaming company in China, announced that it is entering an agreement with NCsoft Corp, a leading developer and publisher of online games based in Korea, which secures for it an exclusive license to operate the Guild Wars game, a Competitive Online Role-Playing Game (CORPG), in Mainland China.** Under the agreement, The9 will possess the license for three years from the date of the commercial launch of Guild Wars in mainland China. More than one million units of the game have been sold in less than five months since it was launched in late April 2005. The new chapter of the Guild Wars franchise, Guild Wars: Factions, is expected to be launched in late April 2006. Currently, Guild Wars is available in South Korea, the U.S., Europe, Japan and Taiwan.

## *Mobile/Wireless*

- **NEC Corp. announced that it has invested an additional US\$225 million into its wholly owned cellular phone subsidiary in the city of Wuhan with the aim of bringing improvement to its money-losing cell phone business in China.** With the capital infusion, NEC has lifted the unit's total capital to US\$248 million. The company saw its number of cell phone sales agents decline from 2,500 to 2,000 and the varieties of cell phones it sells down to 15 bringing about losses that the extra investment will be used to cover. NEC said it aims also to boost its presence in the country by veering away from the mid-end market and moving into high-end phones. Given the 12-percent expansion of the cell phone market in China to 93 million units in 2005, NEC posted in 2005 sales of some 2 million units, which flat compared to 2004 and way below its target of 3 million units.
- **With a production volume of 68.3 million units, Tianjin produced 10 percent of the world's mobiles phones in 2005, according to data released by the organization committee of the 2006 International Mobile Industry Expo and Forum.** The Tianjin figure represents about 25 percent of the China's total production of mobile phones in 2005. Currently, there are about 200 processing enterprises for Motorola, Sanyo and Samsung in TEDA (Tianjin Economic-Technological Development Area), producing over 400 kinds of completed products with a total value of about 20 billion yuan (US\$2.4 billion).
- **Hurray! Holding Co. Ltd. announced that its shareholders have approved its share repurchase plan.** The company said the plan gives it authority to buy back up to US\$15 million worth of

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outstanding ordinary shares or American Depositary Shares (ADSs) representing the ordinary shares of Hurray! from time to time through open market purchases, depending on market conditions, share price and other factors deemed relevant by the company's Board of Directors. The plan may also be suspended or discontinued at any time. The share repurchase plan will be funded by available working capital from Hurray!. As of Dec. 31, 2005, the company reported that it had cash and cash equivalents of approximately US\$76 million. Hurray! is a leader in wireless music distribution and other wireless value-added services, artist development and music production, and wireless value-added services management software in China.

## *Media, Entertainment and Gaming*

- **Observers note that A8 and Rock Mobile are two of the Mainland companies poised to tap what appears to be next stage of the mobile music.** Both firms purchase rights from musicians and record labels and licensing those rights to mobile operators and other consumers. Shenzhen-based A8 and Guangzhou-based Rock Mobile have both launched projects to work with unsigned artists. The two firms said they negotiate with provincial radio programs, music contests and web sites that allow users to upload their self-produced material. A8 said it is boosting its Internet presence through a newly opened online music store. One of the firm's most popular services allows aspiring and professional musicians to upload their songs to A8-hosted blogs. A8's competitors in this area include top100.cn, and aigomusic.com, operated by one of China's biggest sellers of digital music devices. Rock Mobile is pursuing a combined mobile-Internet business model that will allow buyers of MP3-enabled phones to use Rock Mobile's services. The firm has been making acquisitions since it received a US\$30 million venture capital infusion last year. It bought wo99.com, the mainland's largest online karaoke site, and a Tianjin-based company that the company said would help Rock Mobile sell services to China Unicom and China Netcom.
- **The Global Gaming League (GGL), a leader in organizing competitive online and 'live' video game tournaments and events, announced the setting up of its first subsidiary company in Chengdu, in China's Sichuan Province.** To be called the Sichuan Dianjing Tiandi Network Co. Ltd., the subsidiary is expected to establish several departments, including training, R&D, technological support and marketing. The company disclosed that its first batch of investment comes up to US\$5 million. It expects the total investment within 2006 to go beyond US\$10 million.
- **Liaoning Publishing Group announced that it is pushing for an IPO in the Hong Kong stock market, a deal that the firm is seeking to finalize at the end of this year.** The group looks to generating some 500 million yuan (US\$62.4 million) from the IPO. Liaoning Publishing Group will be the first pictorial book publisher from the China mainland to list overseas, with the group saying that it will separate business assets from its editorial wing. Liaoning Publishing Group is considered the largest publisher in the Liaoning Province of northeast China.

## *Software*

- **Microsoft Corp. announced the signing of US\$700 million contracts with several top PC companies in China.** Tsinghua Tongfang, a leading high-technology firm affiliated with Tsinghua University is expected to sign a framework agreement worth about US\$120 million with Microsoft that will have the firm participating in the Genuine Windows Experience Program. Founder, the second largest PC maker in China, said it is also set to ink an agreement valued at US\$250 million with Microsoft. Lenovo, China's largest and world's third-biggest PC company also revealed plans to enter into an agreement with Microsoft.

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- **The revenue of the country's software industry reached a total of 390 billion yuan (US\$48.6 billion) in 2005, a 40.4 percent increase year on year, according to the Ministry of Information Industry (MII).** The data released also indicated that China's total software exports reached US\$3.5 billion, a year-on-year 28.2 percent growth, even as the growth rate dropped by 11.8 percent compared with the same period in 2004. MII pointed out that the potential for growth in China's software export will still be increasing in the future despite the drop in the growth rate.

## *Hardware*

- **Hitachi Global Storage Technologies disclosed that all its production of its 3.5-inch hard disk drives would be relocated to Shenzhen within the next two years in a bid to tap the growing demand for products such as digital video recorders and television set-top boxes.** The Shenzhen plant presently manufactures mainly 3.5-inch drives for desktop computers, which serves as its traditional market, with the higher-end drives for consumer applications manufactured in Thailand. The company said this scenario will be changed by 2008 when Hitachi looks to its Shenzhen plant to produce 50 percent of its hard disk drive output, which would be equivalent to 70 million devices annually. The company revealed that it has already made a US\$100 million investment in Shenzhen to date and plans to spend about US\$500 million in total. The increase in 3.5-inch manufacturing capacity comes as Hitachi aims to double its global market share of the segment to 18 percent by 2008. Hitachi said Thailand will remain to be a significant site as it produces 2.5-inch drives for laptop computers.

## *Semiconductors*

- **Hynix Semiconductor Inc. disclosed its plan to invest some US\$230 million on a chip-making plant in eastern China's Jiangsu province this year.** The new plant is to be known as Hynix Semiconductor Wuxi and will be located beside the South Korean company's US\$2-billion joint Chinese plant with STMicroelectronics, with the new plant expected to share production lines with the joint plant.

## *Telecommunications*

- **AT&T revealed its expansion plans for China, a move that entails the opening of its first Internet Data Center in Shanghai in the next few months.** The center will be set up without a local partner. With the announcement, the U.S. company said that China should encourage competition and innovation by bringing about deregulation in its telecoms sector. AT&T pointed to the factors of global competition and the rapid evolution of Internet technology as the reasons for the country to look once more into their policies. AT&T reported an 11 percent growth in annual revenues for 2006 in China, to include Hong Kong and Taiwan. Last year, AT&T moved its Greater China Group headquarters from Hong Kong to Shanghai to better serve local customers.
- **An industry source said that China Netcom had agreed to US\$350 million price with the group, which includes Simon Murray's General Enterprise Management Services (GEMS), Spinnaker Capital Group and Ashmore Investment Management, for the sale of Asia Netcom.** Murray is a former managing director at Hutchison Whampoa. Ashmore Investment Management also has a stake in C2C, a major Asian cable firm. The report said the group edged out of the deal three Indian bidders – VSNL, Reliance Communications and Bharti Group. The source said China Netcom has been looking for a buyer for Asia Netcom, which is composed of the former Asia Global Crossing that the company acquired out of insolvency for US\$120 million plus assumption of unspecified liabilities in 2003.

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- **ZTE Corp, a company that sells telecommunications equipment, announced that it will concentrate on overseas sales this year, with a focus on the European and North American markets.** ZTE reported a flat profit and revenue growth for 2005, with its net profit posting a mere 1.2 percent growth to 1.2 billion yuan (US\$149.7 million). Its revenue went up by 1.6 percent to 21.5 billion yuan (US\$2.6 billion). The company did not give details about the contributions it got from more than 60 countries although it revealed it shelled out 56 percent more taxes compared to last year, a figure it ascribed to foreign expansion. ZTE reiterated that the growth driver for the company remains the overseas markets. ZTE clinched many deals with regional telecommunications players last year, which included becoming Hutchison Whampoa's handset supplier in its European 3G markets and inking an agreement with France Telecom to provide corporate telecommunications systems. Its international sales grew 68.3 percent to 7.7 billion yuan (US\$961 million) from 4.5 billion yuan (US\$561.5 million) a year earlier.

## *Ventures/Investments*

- **China International Capital Corp, Galaxy Securities and Citic Securities – all Mainland investment banks – announced that they have drafted proposals for an A-share IPO by the China Netcom Group.** Observers are assuming that the listing will be in Shanghai, with analysts noting that China Unicom has already an A-share listing in the same city. A mainland listing will depend on the securities regulator lifting a year-long ban on new share issuance, which is expected to happen next month. China Netcom has reportedly secured contracts to build the media village and national convention center for the 2008 Beijing Olympics, and the company is seen as needing capital to pay for Olympics Games-related construction and also to prepare for the long-awaited granting of 3G licenses that is expected in the coming months.

## *Information Technology*

- **Sumpraxis LLC, a provider of offshore services to small- and mid-sized businesses, announced its opening of a wholly owned office in Shenyang, China.** The company said the office will provide CAD/CAE (Computer-Aided Design/Computer-Aided Engineering) services such as 2D-to-3D file conversion, FEA and design for manufacturers worldwide. The services lower costs and reduce cycle times while offering proximity and language benefits for manufacturers that are outsourcing production to Chinese factories. The company also provides documentation in Chinese, Japanese, Korean and/or English for companies using offshore manufacturing services. The Sumpraxis team in China also handles platform migration, numeric code programming, finite element modeling and analysis, 3D animation and visualization, and technical documentation. Sumpraxis is headquartered in Delray Beach, Florida, with offices in Virginia, and Chicago, Illinois, as well as India and China.

## **Taiwan**

### *Semiconductors*

- **United Microelectronics Corp (UMC) announced that its revenues in March and in the first quarter both posted a 20 percent rise from the same periods last year.** The company said revenue for March hit NT\$8.4 billion (US\$260.1 million), a 21 percent growth from NT\$7 billion (US\$216.8 million) in March last year. In the first three months of this year, UMC reported a revenue of NT\$24.3 billion (US\$752.6 million), which is a 20-percent increase over the NT\$20.2 billion (US\$625.6 million) it recorded in the same period last year. The company provides semiconductor chips to several of the



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biggest companies in the global hi-tech sector. A few months back, UMC hinted of a weaker performance in the first quarter given the slow season for the global technology market.

## *Telecommunications*

- **Chunghwa Telecom, Taiwan's largest telecommunications operator, announced the migration of its international circuit-switched infrastructure to a Nortel VoIP next-generation network (NGN).** To be deployed initially in Taipei, Kaoshiung and three overseas locations, the NGN is capable of providing customers with advanced voice, data and SIP-based multimedia services. Chunghwa said the NGN will also create a platform for future deployment of Nortel's SIP-based IMS (IP Multimedia Subsystem) service delivery architecture. IMS allows all real-time voice, video and multimedia collaboration services to be interoperable across any type of network, regardless of device.

## *Information Technology*

- **Network equipment makers – Accton Technology, Gemtek Technology and Billion Electric – announced strong sales posting in March 2006.** Accton said it outperformed market forecasts of NT\$1.2-NT\$1.3 billion (US\$37-40 million) in sales by reporting NT\$1.3 billion (US\$40.2 million) in March, which stands for a 40 percent sequential increase. The company attributed the strong sales in March to increased working days and strong orders. Accton expects its sales to grow further in the second quarter, as it looks to the deployment of several new products, such as Wi-Fi mobile phones and personal gateways. Gemtek also reported stronger than expected sales at NT\$1.2 billion (US\$37.1 million) in March. The company also expects its sales to grow sequentially this quarter, as it expects its WLAN module and WiMax shipments to rise. Billion Electric said its sales went up to around NT\$150 million (US\$4.6 million) in March, with its first-quarter sales setting a record of NT\$369 million (US\$11.4 million). The company said it is confident that sales in the second quarter will rise, with the company ascribing this growth to expected new orders from South East Asia and North America together with the increased sales to existing clients in Europe for ADSL broadband products.

## **Hong Kong**

### *Internet*

- **Mobile Tech announced the deployment of an online payment service that will enable businessmen in Hong Kong to accept online transactions from Mainland Internet users.** The company sees a significant demand for the payment system, especially among global Internet companies with servers based in Hong Kong. The online service collects payments in yuan and settles the transaction in Hong Kong dollars, making the offering ideal for global companies conscious of the limited convertibility of the yuan. To effect the service, Mobile Tech said it has signed a non-exclusive deal with China Union Pay to process the transactions. The system would give mainland Internet users the ability to order goods or services online with a debit card, with Mobile Tech receiving a portion of the transaction over and above the monthly fee it gets. With physical goods to be covered later, the offering is aimed currently at businessmen marketing products such as online fax services, data services and mobile phone services. Mobile Tech is based in Hong Kong.
- **Reuters announced the launching in Hong Kong of its service dubbed Reuters Trading for Fixed Income, a service that would enable asset managers, hedge funds, corporate treasurers and other investors in the region to conduct electronic fixed income trading via their Reuters desktop.** Reuters 3000 Xtra is the company's flagship desktop for real-time news, data, analysis tools



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and executable prices. The service to be deployed in Singapore, Japan, South Korea, the Philippines and Australia is expected to boost electronic fixed income trading in the region, noted to be way behind that of the U.S. and Europe. Greenwich Associates, a research firm, reported that the slow growth of e-trading in Asia can be ascribed to Asian investors wanting to preserve personal interactions with their dealers and the lack of highly liquid, multi-dealer e-trading platforms. The Reuters Trading for Fixed Income launch partners in Europe – ABN AMRO, BNP Paribas, Commerzbank, Deutsche Bank, Dresdner Kleinwort Wasserstein, Goldman Sachs, JPMorgan, Rabobank, RBC Capital Markets, Lehman Brothers, Morgan Stanley and UBS – are all present in the Asian rollout. Reuters said eight more banks have formalized their being part of the service, which would include HSBC, Barclays Capital, Calyon, Danske Bank, HypoVereinsbank, IXIS CIB, Société Générale Corporate and Investment Banking and West LB. Reuters said it is looking to the Mainland as a market for the offering.

## Singapore/Malaysia/Philippines/Indonesia

### *Information Technology*

- **Industry sources are saying that some schools in Singapore have adopted an e-learning system to keep up with lessons for their students in the event of a flu pandemic.** The report said that the country's education ministry is setting up a technology that will allow a free-to-air TV broadcast services that will enable students to continue having their lessons once the schools are closed. The e-learning system, however, which is expected to cost about US\$12,000, cannot cover all schools. Another factor to consider is the fact that not all students have broadband access at home.

### *Mobile/Wireless*

- **Maxis Communications and Celcom, Malaysia's top two mobile phone operators, announced their agreement to connect their high-speed 3G networks in a bid to boost sales.** The two firms said they expected their 3G services to account for as much as 5 percent of their revenues from 2008. Under the agreement, users of the 3G networks of Maxis Communications and Celcom would be able to receive video calls or video messages among themselves. Observers note that the growth of the 3G technologies has been slow in Malaysia. As of March 31, Maxis had 50,000 3G subscribers while Celcom had 68,000. The number of 3G users made up only a very small portion of their total customer base of 8 million for Maxis and 7 million for Celcom. The country has more than 17 million mobile phone users, and a penetration rate of nearly 70 percent among its 26 million people. The government is looking to a 85 percent growth in this figure by 2010.

## United States/Canada

### *Internet*

- **America Online Inc., Time Warner's Internet unit, announced that it is officially renaming itself simply as AOL, a move that comes with its transformation from a corporation into a limited liability company.** AOL was formed as Quantum Computer Services in 1985 and started offering the AOL online service in 1989, beginning with Apple Computer's systems. It changed its name to America Online Inc in 1991. The merger with Time Warner in 2001 gave it the name AOL Time Warner. With the decline in the Internet business, the parent company dropped AOL from its name and it was just Time Warner. AOL had 19.5 million United States subscribers as of December 31,

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2005, marking a 27-percent decline from its peak of 26.7 million in September 2002. AOL also operates services in Britain, France and Germany through its AOL Europe business unit, with these countries providing a home to a total of about 6 million members.

- **Yahoo! announced its alliance with Research In Motion (RIM), an agreement that will allow the portal's services, such as e-mail, searches and content, to be made available on BlackBerry handheld devices.** Under the tandem, Yahoo! said it would be easy for the millions of Blackberry users to access their favorite Yahoo! products and services. RIM said that the collaboration with Yahoo will allow the delivery of rich content and services, which would include the enhanced support for Yahoo! Mail.
- **Google and EarthLink announced that the city panel of San Francisco has chosen them as the best companies bidding to provide the entire city with a free Wi-Fi Internet service.** The announcement paves the way for discussion with Google and EarthLink which ended as a team after first competing against each other for the project that is described as "ambitious." The two companies said they will pay to build the entire network, which is valued at about US\$15 million. EarthLink promises to provide a technology that will allow users to surf the web at speeds four to five times faster than Google's free service. The firms expect the project to get heavy financing through advertisements. If completed, the Google component of the service would make San Francisco the largest city in the United States with free Internet access throughout its territory. Industry observers are saying that the project may be an indication that Google is aiming at building a national Wi-Fi network that would allow people to go online and view the ads that gave it the US\$1.5 billion-profit in 2005.
- **PayPal announced that its users of its online payment service can now use their mobile phones to instantly send money, purchase products or even to make donations to items charitable institutions.** Under the new offering, several firms are accepting PayPal Mobile service for payment. These firms include Viacom's MTV, the National Basketball Association and News Corp's 20th Century Fox Home Entertainment. PayPal is owned by online auctioneer eBay.
- **Narus announced that it has secured an order from Shanghai Telecom Co. for a system that can detect and block telephone calls placed over the Internet through the use of the company's new NarusInsight IP traffic processing system.** The company said that Shanghai Telecom's reason for blocking Internet calls is because Internet calls are connecting to its phone system and bypassing its toll structure. Use of Internet calling, also known as Voice over Internet Protocol (VoIP), is becoming popular and is usually free, and is perceived as a threat to the current business models of some telephone companies. Narus is a U.S.-based maker of network management systems.

## *Mobile/Wireless*

- **Research In Motion (RIM), the maker of BlackBerry wireless e-mail device, announced a profit of US\$18.4 million.** The Canada-based company disclosed a 39 percent rise in its revenue for the three months to March 4, the end of RIM's this year financial year, to US\$561.2 million, from US\$404.8 million in the same quarter of last year. The company said the figure is less than what it forecast and claimed that its performance was affected by the patent dispute with NTP, a U.S. firm. The conflict was settled before the quarter ended, with RIM paying US\$612.5 million to NTP. In 2005, RIM reported a fourth-quarter net loss that amounted to US\$2.6 million.
- **Cingular Wireless disclosed its plans to sell ring tones from bands that put their music on MySpace.com, the social web site hugely popular among teenagers.** Cingular, a venture of AT&T

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Inc. and BellSouth Corp., expects the service to increase its revenue, instill customer loyalty and create an image that will appeal to young people. The company said it aims to be relevant to its young customers. Under the offering, users will be allowed to preview ring tones and buy them on the MySpace web site, which will then send them to their cell phone. Cingular plans to charge about US\$2.50 for each 30-second ring tone, with the bands getting some 25 percent of the proceeds. Cingular and InfoSpace Inc, the firm helping to create ring tones, will then divide the money.

- **Bango, the mobile content enabler, and mBlox, the world's largest mobile transaction network, have announced a global collaboration to deliver a fully integrated content billing solution that leverages the power of the mobile Internet.** By integrating the mBlox premium billing solution with Bango's browse and buy technology, users benefit from a portal style payment experience for mobile content even though the underlying billing mechanism is Premium SMS. Bango's technology allows consumers to browse at their leisure and then buy on their phone bill, by credit/debit card or by PayPal, using Bango's billing platform. Bango has developed and deployed an open, global infrastructure platform that enables content providers to market, sell and deliver their products and services directly to mobile phone users on all mobile networks using the mobile Internet. This "direct-to-consumer" approach operates alongside the mobile operator's mobile portal. Leading mobile operators including Cingular Wireless, Vodafone, Orange, Telefonica and O2 work with Bango to accelerate the growth of their "direct-to-consumer" business. mBlox specializes in the commercial and technical complexities of mobile payment and message transmission, and is based in California, with offices around the world.

## *Media, Entertainment and Gaming*

- **Online readers of newspapers in the U.S. are rapidly growing, according to a study made by the Newspaper Association of America (NAA).** The trade group indicated that one in three Internet users visit a newspaper web site every month, a figure that corresponds to 55 million. The study also noted that unique visitors to newspaper web sites went up by 21 percent from January last year to December last year, with the number of page views registering a 43 percent growth over the same period. The released of the study coincided with the NAA's annual convention in Chicago, where one of the big topics was on strategies needed to cope with the massive transformation of people's news consumption habit given the impact of the Internet.
- **Six Hollywood studios announced that they would start selling digital versions of their films through the download web site Movielink.** The site is jointly owned by five of the seven major studios, and will be used by Warner Bros, Universal Pictures, Sony Pictures, Paramount Pictures, 20th Century Fox and MGM. Both old and new films will be sold, with the new priced similar to DVDs - between US\$20 - US\$30, with older titles to be sold for US\$10 to US\$20. Sony and Lionsgate announced that they would conduct their marketing through the CinemaNow site. This leaves the films from Walt Disney as the only ones not available although industry sources say talks are already ongoing among interested parties. Studios said they will make available online new films on the day they are on DVD but with most films available within 45 days. Observers are saying that even if the films cannot be burned onto a disc presently, this move is still perceived as a significant step leading to the full distribution of movies via the Internet in the near future.
- **Microsoft announced its acquisition of Lionhead Studios, the British company behind the role-playing games for its Xbox videogame consoles.** Under the deal, Lionhead would continue to develop games exclusively for its Xbox consoles and Windows operating system.

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## *Information Technology*

- **ABB, a maker of power networks, announced the relocation of the headquarters of its robotics division from Detroit to Shanghai.** The move, according to the company is aimed at responding to the competition in the car business and, according to analysts, reflects the shift of ABB's business from Europe to Asia. ABB indicated that, with the robotics crucial to the car market, China is an important site with its more than 120 vehicle plants and investment of US\$25.5 billion in new manufacturing by next year. ABB has already invested US\$700 million in 25 companies and 30 sales offices in China. ABB Robotics employs 4,600 people worldwide, with plants in Sweden, the US, France, Spain and Europe. It posted revenue of US\$1.7 billion in 2005. It is the smallest of the company's five divisions, which had total revenue of US\$22.4 billion. ABB has produced 140,000 robots, which range in price from US\$20,000 to US\$200 million for a complete production line, of which 100,000 are still in operation. The Shanghai plant last year produced 600, with about half of them sold to joint-venture car plants and the rest to industrial firms. ABB robotics division disclosed that the global market for robots was US\$10 billion and has registered a 5 to 6 percent annual growth. ABB is reputed to be the world's largest manufacturer of power networks.

## **Europe**

### *Telecommunications*

- **NTL disclosed that it has given a go signal for a 962.4 million pounds (US\$1.6 billion) bid for Virgin Mobile Holdings.** NTL said the agreement included a 30-year exclusive brand license with Virgin Enterprises for the use of the Virgin brand and is expected to create an expanded communications company offering broadband, fixed-line as well as mobile telecommunications services and television under the Virgin brand. Under the agreement, Virgin Mobile would continue to be based in Britain. With about 71.2 percent of the share capital of Virgin Mobile, the Virgin Group said it had accepted the bid. Earlier in February, Virgin Mobile announced a 12 percent growth in its active customer base to 4.3 million.
- **Alcatel SA of France announced its acquisition of rival telecom equipment maker Lucent Technologies in a deal valued at US\$13.4 billion.** The acquisition is expected to create a strong firm with a wide and attractive product line. According to the companies, the combined business, to be based in Paris, will have an annual sales of US\$25 billion, which is bigger than LM Ericsson's US\$19.9 billion. The company is expected to have about a 18 percent share of the market for telecom equipment. Analysts are saying the Alcatel-Lucent business entity, the name to be announced later, can respond better to the intense competition in the telecom equipment market and should be able to handle the pricing pressures brought about by the bigger telecom service providers coming from the consolidating telecom industry.
- **Verizon Communications announced that it has agreed to sell its Caribbean and Latin American telecommunications operations, together with a stake in the largest telephone company in Venezuela, to two Mexican companies for US\$3.7 billion.** The deal will see the company selling Verizon Dominicana in the Dominican Republic and its 52 percent interest in Telecomunicaciones de Puerto Rico to America Movil SA, Latin America's largest mobile phone company. Verizon disclosed that it is also selling its 29 percent stake in Compania Anonima Nacional Telefonos de Venezuela (CANTV), the country's incumbent phone company, to a unit jointly owned

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by America Movil and its former parent, Telefonos de Mexico SA. The statement indicated that the America Movil-Telmex joint venture has agreed to make a tender offer for all the remaining shares of CANTV.

## *Information Technology*

- **Thales, a French electronics and defense company, announced its acquisition of Alcatel SA's satellite and security operations for 1.7 billion euros (US\$2 billion) in cash and shares.** Under the deal, Thales will pay 26.67 million shares and 673 million euros (\$825 million) in cash to Alcatel. The acquisition sees the French retaining assets that are considered politically sensitive. With the deal, Alcatel will increase its stake in Thales from 9.5 percent to 21 percent, with the stake of the French state declining from 31 percent to 27.1 percent. Once approved by shareholders, Thales said the acquisition will boost its revenue by more than 2 billion euros (US\$2.4 billion) a year.

## *Mobile/Wireless*

- **Vodafone announced a new organizational structure in a bid to cut costs in mature markets and to enhance growth in emerging markets.** Vodafone also said that the new organization structure is aimed at tapping new technologies. Reorganized, the firm would be managed through its three new business units, namely: Europe; Central Europe, Middle East, Asia Pacific and Affiliates; and another unit called New Business and Innovation. Analysts are saying the new structure is a better response to what the company is facing. Observers are also keen about Vodafone getting into new technology areas that would include converged services.

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