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

Week of 23 April – 29 April, 2006

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Weekly Highlights

International

Internet

- **According to The Face of the Web, an annual study by Ipsos Insight. The Internet browsing domain dominated by PC usage is giving way to mobile phones.** Conducted in November and December 2005, Ipsos surveyed 6,544 adults in Canada, France, Germany, Japan, South Korea, the UK and the US, as well as people in urban areas in Brazil, China, India, Mexico and Russia. Results show new Internet trends with people turning to mobile phones for Internet use, more than laptops for the same purpose in many parts of the world. Credited for the change are the rapid pace of mobile phone installation and the development of wireless networks. The study noted that, in general, almost all wireless device activities witnessed growth in 2005. The Face of the Web indicated that in areas where mobile phones are not used for Internet access, wireless enabled notebooks and other devices fill the gap. The study said early adopters are people over the age of 35, instead of the younger users. The study pointed our that 28 percent of mobile phone owners across the globe have accessed the Internet on their mobile handsets, up 25 percent compared to the end of 2004 and rising to some 40 per cent in Japan, the industry's most advanced market. In the survey UK stands second followed by the U.S.

Mobile/Wireless

- **Far East Tone Telecommunications Co., Ltd. of Taiwan, Hutchison Essar Limited of India), Hutchison Telecommunications (Hong Kong) Limited of Hong Kong, KT Freetel Co., Ltd. of South Korea), NTT DoCoMo, Inc. of Japan), PT Indosat Tbk of Indonesia) and StarHub Ltd. of Singapore announced that they have formed an alliance with the aim of strengthening each member's competitiveness in international roaming and corporate mobile services in their own regions and across Asia-Pacific.** The group expects that through this alliance, multinationals as well as business and leisure travelers will be able to enjoy greater convenience, ease of use and value-added mobile features when they roam onto other members' mobile networks. The alliance, tentatively called the "Asia-Pacific Mobile Alliance," has a combined customer base of about 100 million mobile subscribers in eight countries and regions. The alliance said it aims to promote voice, video and data roaming via members' GSM/GPRS and /or W-CDMA networks, with an intention to launch roaming via HSDPA networks once the market is ready. These initiatives are targeted for launch in the latter half of 2006. Another aim of the group is the creation of a Virtual Home Environment among customers of member operators, so that they can experience seamless, convenient mobile-related services when they roam. The alliance is also planning to enhance cross-border customer support for multinational corporations.

Japan

Internet

- **Livedoor Co. revealed its plans to sell its 92.8-percent stake in Internet research firm Net and Security Research Institute Co. to business software developer Cybozu Inc. in a deal valued at 300 million yen (US$2.6 million).** Livedoor acquired the firm that would become NS Research Institute in May 2003 for 247 million yen (US$2.1 million). The company, which prepares surveys and reports on Internet security and online businesses, posted 251 million yen (US$2.2 million) in sales. It posted an operating profit of 39 million yen (US$340,000) during the period through September 2005.

Cybozu intends to provide NS Research's reports to its business software clients and use the firm's expertise to hold seminars for customers.

- **SBI Futures Co., a Japanese online commodity futures brokerage house, announced that it has received approval to list on the Osaka Securities Exchange's Hercules market.** The company said it would offer 6,400 shares to the public in its initial public offering. Of those, 3,500 are newly issued and 2,900 are shares currently held in private. The company said it would conduct a book building for the IPO shares. For the last fiscal year ended March 2005, the company posted a pretax profit of 99.1 million yen (US$864,000), net profit of 15.6 million yen (US$136,000), and revenue of 1.3 billion yen (US$11.3 million). Shinko Securities is the lead underwriter of the offer.
- **Yume No Machi Souzou Iinkai Co., a Japanese operator of Internet-based delivery services, announced that it has received approval to list on the Osaka Securities Exchange's Hercules market.** The company said it would offer 2,550 shares to the public in its initial public offering. Of those, 1,500 are newly issued shares and 1,050 are shares currently held in private. The company will conduct a book building for the IPO shares. In the last fiscal year ended August 2005, the company posted a parent pretax profit of 29.9 million yen (US$261,000), net profit of 27.5 million yen (US$196,000), and revenue of 361 million yen (US$3.1 million). Mitsubishi UFJ Securities is the lead underwriter of the offer.

Mobile/Wireless

- **Japan's domestic shipments of mobile phones in fiscal 2005 hit 46.2 million units, with Sharp Corp.'s posting a total of 7.5 million handsets, according to MM Research Institute Ltd.** With 16.3-percent share of the market, Sharp represented the top market share. The research firm said overall shipments saw a 5.2-percent rise on the year, and projected a 10.5-percent growth for fiscal 2006 to 51.1 million units. Sharp posted a 20.2-percent increase in shipments, which was brought about by its deal to supply a popular line to Vodafone KK, in addition to NTT DoCoMo Inc. Panasonic Mobile Communications Co., a subsidiary of Matsushita Electric Industrial Co., came in second place with a market share of 16.1 percent. NEC Corp., the market leader for four years, saw its shipments decline by 10.6 percent to 7.3 million units, coming in third in terms of market share. No. 4 was Toshiba Corp., with its share rising 5.4 percent on the year.

Semiconductors

- **Mitsubishi Electric Corp. announced that it has begun manufacturing power chips for white goods in China, a move that is in preparation for a surge in demand.** The chips are designed to control power and reduce energy use by such products as air conditioners, and a wide range of home appliances in Japan. Mitsubishi Electric believes that demand for the chips in China will grow sharply because power shortages are becoming a serious problem in that country. The company said production began in January in Shanghai with subcontractor using equipment exported from Mitsubishi Electric's factory in Fukuoka Prefecture. The company aims to raise power chip output gradually in Shanghai to 300,000 units a month. Mitsubishi Electric disclosed that its power chip sales went beyond 80 billion yen (US$697.6 million) in fiscal 2005.

Hardware

- **Sony Corp. disclosed an increase in its net loss in January-March even as its electronics segment picked up.** Ascribing the loss to heavier restructuring costs; Sony said it posted a group net loss of 66.5 billion yen (US$580 million) in the three months leading to March, along with a year-earlier loss of 56.4 billion yen (US$492 million). Sony said its loss on an operating basis narrowed to 62.2

billion yen (US$542.6 million) from 77.4 billion yen (US$675.1 million). The company said its group sales registered an 8.7-percent rise to 1.8 trillion yen (US$15.6 billion) up from 1.6 trillion yen (US$14 billion). Observers note that favorable exchange rates could have helped Sony's earnings. Despite the loss, Sony's sales of its "Bravia" liquid crystal display televisions, "VAIO" personal computers and other products in its electronics division increased. For the current fiscal year through March 2007, Sony forecasted a group net profit of 130 billion yen (US$1.1 billion) on group sales of 8.2 trillion yen (US$71.5 billion).

- **NOF Corp., a diversified chemical manufacturer, said it has initiated the production of non-reflective film for LCDs for South Korean and Taiwanese polarizing plate manufacturers, in a bid to expand the applications for its films.** The company makes products that reduce light reflectivity to 1 percent and are designed for PC monitors. The company said it also aims to supply film for LCD televisions in the future. NOF disclosed that it is investing some 2 billion yen (US$17.4 million) to double production capacity at its Japan-based facility to 10 million sq. meters within the year, helping it to keep pace with increasing production by plasma TV manufacturers. The company said it would also introduce high-end products that will reduce reflectivity to 0.1 percent and feature anti-static properties preventing dust from building up on the screen. NOF plans to roll out five such products this summer and supply them to Japanese manufacturers as well. By introducing products for LCD TVs, the company seeks to boost LCD-related film sales to 2 billion yen (US$17.4 million) in fiscal 2008.
- **Canon said its net profit rose 16 percent in the first quarter to a record 108.3 billion yen (US$951.3 million), a performance it ascribed to huge sales of digital cameras and color copiers.** The company said group sales for the period posted a 9.5-percent rise to 923.3 billion yen (US$8.1 billion), with sales of digital cameras and camcorders registering a big 84.9 percent growth from a year ago to 192.1 billion yen (US$1.6 billion). Canon said sales of copy machines, computer peripherals and other office equipment increased by 6.3- percent to 631.2 billion yen (US$5.5 billion). The company disclosed that it has plans to expand its business by going into the TV market later this year by way of a flat-panel technology it is working on with Toshiba.
- **Sharp announced a 15.4-percent rise in its full-year net profit to 88.7 billion yen (US$779.1 million).** The company attributed the growth to the fast-growing sales of its flat-screen televisions and mobile phones. Sharp said its revenue posted a 10.1-percent increase to 2.8 trillion yen (US$24.5 billion), a rise brought about by brisk sales of LCDs and other products. For the year to March next year, Sharp forecasts another record net profit of 100 billion yen (US$878.4 million) on sales of 3 trillion yen (US$26.3 billion). A survey made by Display Search, a U.S.-based research firm, indicated that Sony has overtaken Sharp as the top maker of LCDs in the three months to March. The company said its full-year operating profit posted an 8.4 percent increase to 163.7 billion yen (US$1.4 billion) with sales of audio-visual and telecommunications products up 12.2 per cent due to solid demand for large-sized LCD TVs and mobile phone handsets. Sharp disclosed its plans to invest 275 billion yen (US$2.4 billion) in the coming year in its factories to compete with rivals like Matsushita. Sharp, also is estimating 194-billion yen (US$1.7 billion) in LCD operations this year.

Telecommunications

- **Nippon Telegraph and Telephone Corp.'s group operating profit for fiscal 2005 is expected to hit nearly 1.2 trillion yen (US$10.4 billion), a slight decline from a year earlier but topping its earlier projection of 1.1 trillion yen (US$9.5 billion).** Analysts are saying that the company's sales are seen as going down by 1 percent to around 10.7 trillion yen (US$93.2 billion). The company said its

NTT East's and NTT West's B fiber-optic Internet access service doubled the number of subscribers to roughly 3.4 million as of March 31. NTT DoCoMo's operating profit went up by about 6 percent to 830 billion yen (US$7.2 billion), exceeding its earlier projection by nearly 10 billion yen (US$87.2 million). In a separate development, Nippon Telegraph and Telephone Corp. said it has conducted successful tests of a routing technology that can handle data volumes of 10 terabits per second (Tbps) on the optical trunk lines linking cities. The company's previous best in routing tests was 2.5Tbps. Its goal is to have a practical version of the new technology ready by 2011, which is the scheduled completion date for connecting optical fiber to all homes in Japan.

Korea

Internet

- **Dreamcity Media and CJ Cablenet disclosed their plan to submit applications to acquire qualification as operator of the super high-speed Internet service provider to the Ministry of Information and Communication.** This marks the first case a cable TV carrier (System Operator) has applied for this business. Dreamcity Media, a cable TV carrier in Kimpo and Bucheon, is providing the ultra high speed Internet service actively among System Operators. Dreamcity said it will submit the first application based on preparations it has made so far. CJ Cablenet plans to submit the business application with four other corporations, in which subsidiary System Operators are categorized with the same broadcasting regions. Industry observers say that about 100 system operators in 77 nation-wide regions are applying for the business application of the super high speed Internet service provider.
- **SK Telecom said it is ready to launch EVDO network-based wireless Internet service in Vietnam in the second half of this year.** It's also looking domestically and globally into its wireless Internet and content platform... SK Telecom said it has decided to install WiPi in the mobile handsets it would produce in Vietnam via a local joint venture with S-Phone. The company said it plans to invest US$280 million dollars in building a nationwide network in Vietnam across major cities, aiming to boost the customer base from some 300,000 to 1 million by the end of this year. The company said it is now optimizing WiPi standard for service in Vietnam, and is talking with content providers including real-time video and game firms for different offerings. Content developers are upbeat about the adoption of WiPi for service in Vietnam, which came after the earlier arrangement with U.S.-based MVNO Helio. SK Telecom also plans to outsource HLR and AC equipment among domestic gear makers, and it may spend up to 10 billion won (US$10.6 million) on equipment depending on expansion of EVDO networks. EVDO or Evolution Data Only, Evolution Data Optimized is a fast wireless broadband access (3G) without needing a WiFi hotspot.
- **The country's Ministry of Information and Communication announced that it received filing for Internet service approval from a total of 42 service providers including cable system operators, repeater operators and network operators.** The ministry plans to further evaluate the service providers before giving final go-ahead. The ministry said it plans to formally grant an Internet backbone carrier service license to service providers after the evaluation through June this year.

Mobile/Wireless

- **Kedcom, a firm that manufactures GSM (Global System of Mobile Communication) terminals, announced it plans to export CDMA (Code Division Multiple Access) terminals made in mobile handset production lines to India beginning next month.** Kedcom exported mobile handsets that are sold by Reliance, which is the first telecommunication enterprise in India. The company will sign a main contract with a local business partner, fixing the volume of export. The company said a general trading company would be responsible for exporting CDMA terminals in India.
- **KTF Co. said it is making some strong investments in a bid to launch next-generation mobile phone services earlier than what it originally disclosed.** The company sees WCDMA as making the playing field even for companies. KTF originally planned to establish a high- speed network in 45 cities nationwide by June. This was increased to 84 cities by the end of this year; a move the company said increased costs from 510 billion won (US$541 million) to 780 billion won (US$827.4 million). A top official of KTF said the company is taking such aggressive action because it expects that W-CDMA will occupy more than 90 percent of the market in the future. In December, KTF and DoCoMo signed a deal to cooperate in network expansion, global roaming, research and development, and content sharing. DoCoMo has a 10-percent stake in KTF.
- **LG-Nortel reported the conclusion of its contract with Telecom Italia, an Italian telecommunications company, to supply two million units of videophones.** The contract was about strategic cooperation in the form of joint development which made G-Nortel the largest supplier to Telecom Italia. The video mobile phone to be shipped to Italy would have a color LCD screen that offers high-quality two-way video telephony service. It works on IP networks along with PSTN networks.
- **Mobile game firms are reportedly rushing to form partnerships with local publishing companies, wireless operators and content providers in key overseas markets, expecting shipments to increase by twofold or even more this year.** Com2us said it recently registered a Chinese joint venture Yangkwang Mobile as service provider. Moai Technology formed a consortium with Daum Communication and Japanese game firm Segasami in a move to expand into the Chinese market. Web ENG Korea formed a China-based Internet service provider SinoVoice to provide content. Gamevil said it has signed a deal with a wireless operator in the U.S. The company plans to introduce its own brand in overseas markets.

Media, Entertainment and Gaming

- **ArenaNet, developer of the award-winning online game Guild Wars, and NCsoft Corporation, the world's leading developer and publisher of online computer games, announced the shipment of what it described as the year's most-anticipated PC titles, Guild Wars Factions.** Guild Wars Factions is the stand-alone follow-up to Guild Wars, the game that set new standards in online gaming with fresh design, innovative technology and no-subscription-fee pricing. The company said the game has new features such as guild scrimmages, alliance battles, ranked character titles, and other surprises. Guild Wars Factions takes place on the Asian-inspired continent of Cantha, where players create a character from eight distinct professions and join an epic quest that pits two warring factions.
- **KT announced that it is setting up a fund worth 25 billion won (US$26.5 million) after it took over Sidus, a movie contents maker, in 2005.** Industry observers are saying this fund is going to have an impact on KT's influence over the existing infra digital cinema business of movie distribution

contents. It is expected that KT affiliates, including Sidus, will jointly invest in the fund, with the KT group assuming a 60-percent stake of the fund. With the founding of the fund, KT is also seen working with multiplex chain operators to take the leading position in the entire process, from content production and distribution.

Telecommunications

- **KTF and LG Telecom were quoted saying SK Telecom's exclusive use of 800 MHz band is causing regression of the Korean mobile market.** According to LG Telecom, the monopoly on 800 MHz band by a mobile carrier has no parallel in OECD member countries and helps the nation's largest mobile carrier wield unlimited influence by taking advantage of the unfair business environment. LG, the nation's smallest mobile operator, said it has called on SK Telecom to allow roaming onto 800 MHz at least in the suburb of Seoul. A top official of KTF stated that the government's acknowledgement of SKT's exclusive rights over 800MHz discourages substantial investment in WCDMA or HSDPA.
- **LGT remains the only mobile carrier in Korea that lives on 2G services.** Despite this, LGT announced that it has achieved the overall customer quality improvement on the basis of the proportion of its basic rate in sales revenue, and of its sales structure being back on track. The company said that for the first quarter, its sales revenue in service hit 722.4 billion won (US$763.4 million), operating income 16.3 billion won (US$ 17.2 million), and net income of 105.2 billion won (US$ 111.1 million). Sales revenue was up 14.9 percent year on year and up 1.5 percent quarter on quarter. LGT disclosed that it has registered an additional 135,000 new subscribers, with the total number posting a 9.6-percent rise to 6,675,000. It aims to attract some 6.0 million subscribers by the end of the year.
- **SK Telecom Co. disclosed that it has made its handset subsidy plans friendlier to long-term subscribers. The move by Korea's largest service provider comes just days after rivals KTF Co. and LG Telecom Inc. similarly altered their subsidy structures to benefit long-time customers.** Under SK Telecom's change, subscribers of at least eight years who have paid an average of at least 90,000 won (US$95) during that period will receive a 240,000-won (US$254) subsidy, up 50,000 won (US$53) from the previous offering. In another change, users who have shelled out less than 70,000 won (US$74) a month on average for at least eight years will receive 10,000 won (US$10) less in subsidies than before when they purchasing new cell phones. Industry analysts said SK's move is an attempt to hold on to its most loyal customers without having to spend more on subsidies. The recent changes to the subsidies plan may upset users who do not meet the qualifications to receive extra cash. The three mobile service companies, all of whom have raised subsidies since the government first eased a ban on them late last month, said they have no immediate plans to modify their subsidy payment structures in the near future.

Information Technology

- **Three consortiums on three wireless operators, SK Telecom, KTF and LG Telecom, are reportedly bidding for a project worth some 1 billion won (US$1 million).** The budget for the project is described as modest but the work is seen as leading to a major commercial service in the first half of next year. Among business models offered by SK Telecom consortium are hard liquor verification, food history and Korean beef origin labeling. Geotel, the Ministry of Culture and Tourism, Boryeong City, Tongyeong City, Jinro Valentines and Gangwon provincial government have joined the consortium. KTF proposed bus information, which is used to check information on bus lines, expected arrival time and nearby store information. They added models used to provide product information on records, DVDs, books, movies and wine. The KTF consortium comprises of 13 members including Lotte Information Communication, Lotte Mart, NDS, CJ System, EB Card, Geotel and iConNet. LG Telecom joined by Onitech and Bambani proposed beef information, back-to-home children information, and libraries for the blind and tourist information service. The Korea Computerization Agency said it plans to select two service providers soon after open presentations with the three bidders, with the test service to begin in May and continue through November this year.

China

Internet

- **Sohu.com Inc. announced a 5-percent rise in its net profits to US$6 million from US$5.7 million in the first quarter last year. Excluding share-based compensation, net income was US$7.8 million.** The company said its revenues hit US$31.3 million, compared to revenues US$23.7 million for first quarter last year. Sohu attributed this growth to the 35-percent increase it posted in advertising revenues to US$20.1 million year on year. Within that figure, US$16.7 million was from brand advertising and US$3.4 million was from sponsored searches, which contributed some 64 percent of total revenues in the first quarter of 2006. Sohu said its non-advertising revenues went up by 25 percent year on year to US$11.1 million. In a separate report, Sohu said it has entered into a cooperation agreement with Sony BMG, the official music copyright owner of the FIFA World Cup 2006 Germany. Under the agreement, Sohu has the wireless and Internet Premier Digital Release rights for the official music of the 2006 FIFIA World Cup from Sony BMG. During the six-month Premier Digital Release period, Sohu.com will be able to exclusively offer a full range of music and video products of World Cup official music via Ring-Back Tone (RBT), Wireless Application Protocol (WAP), Interactive Voice Response (IVR) and Multimedia Messaging Services (MMS) to Chinese wireless users.
- **Shin Satellite of Thailand announced that it has signed an agreement to provide broadband Internet services to China through the company's iPSTAR satellite.** ShinSat, is owned by Thai telecom giant Shin Corp and provides telephone, internet, television and other communication services. The company said it has already set up a satellite gateway in Beijing that will begin providing Internet services to clients in May. Two more gateways are planned in Shanghai and Guangzhou. The service cost about US$1,000 a year in China and would bring in revenues of US$1 billion a year if the company met its target. At present, ShinSat already offers broadband satellite services in Southeast Asia, as well as Australia and New Zealand, with the services in Vietnam set to be launched soon.

Mobile/Wireless

- **China Unicom Ltd. announced a 31-percent increase in its first-quarter profit to 1.4 billion Yuan (US$174.6 million) from 1 billion Yuan (US$124.7 million), due to an increase in subscribers.** The company said its sales posted a 9.8-percent rise to 22.9 billion Yuan (US$2.8 billion) from RMB 20.9 billion Yuan (US$2.6 billion). With about 74.4 percent of its subscribers using the GSM network, China Unicom provides services using both the global system for mobile communications (GSM) and CDMA standards. China Unicom announced that it registered 3.8 million users in the first quarter for a total of 131.5 million. The company had 97.9 million GSM subscribers and 33.6 million CDMA customers.
- **With a forecast that it will post a growth of 4300 percent, China's mobile phone cartoons market size went beyond 720,000 Yuan (US$90,000) in 2005, according to Analysys International.** The report said the number of registered users hit 120,000. The Internet-based provider of business information about technology, media and telecom industries in China said the growth in the market will

be hitting 31.6 million Yuan (US$4 million) in 2006. This market size is seen reaching the value of 624 million Yuan (US$77.8 million) in 2010. Analysys International says the mobile cartoon market in China is currently in the initial stage and that there are some market inhibitors to be solved. These inhibitors include the low penetration rate of high-end mobile handsets that support multimedia applications and the small number of mobile phone users using mobile phone cartoons. The market is expected to show fast growth in 2006 and 2007.

- **China 3C Group announced signing a sales agent agreement with VK Telecom (China) Co. Ltd., a leading South Korean cell phone manufacturer.** The one-year agreement will allow China 3C to be the exclusive sales agent in the Zhejiang province of China, for five VK Telecom cell phone models. China 3C Group is a large-scale enterprise integrating the selling, circulation and modern logistics of 3C products (communication product, information technology products and digital products) in China through its two subsidiaries: Yiwu Yong Xin Telecommunication Co. Ltd., an authorized sales agent, focusing on the sale, circulation and modern logistics of fax machines and cord phone products in China, and, Hangzhou Wang Da Electronics Co. Ltd., an authorized sales agent focusing on sales, circulation and modern logistics of cell phones, cell phones products, IT products, and digital products in China. China 3C Group also disclosed that it has plans for a NASDAQ SmallCap Market listing.

Media, Entertainment and Gaming

- **Focus Media Holding Ltd. announced the launching of its outdoor LED- advertising network, a move that is seen as boosting the firm's out-of-home media coverage.** The ads are aimed at urban consumers with above-average income. Presently, Focus Media's outdoor LED network consists of approximately 70 LED digital billboards installed on the street-sides in major shopping districts and other locations in Shanghai with high pedestrian traffic. Focus Media is considered China's largest out-of-home multi-platform lifestyle media company.
- **Interactive Television Co. Ltd. announced the signing of an agreement with Dalian Tiantu Cable TV Co. Ltd., to launch a high definition TV program in Dalian in May.** Ths agreement is expected to bring to Dalian high definition TV signals earlier than other cities like Shanghai, Foshan, Shenzhen and Nanjing in China. An official of Dalian Radio and Television Bureau, said about 300,000 families in Dalian have switched to digital television while another 500,000 will follow suit by the end of this year.
- **Sun Media Investment Holdings announced the development of the first dedicated home shopping channel for luxury goods on the mainland.** The company said it has entered into an agreement with Europe's Luxe.TV, the operator of a soon to be launched global digital television network geared for high-end consumer goods, to create an interactive platform for mainland viewers to buy goods over the Internet. The joint venture, Luxe.TV Interactive, will launch its Internet protocol television channel towards the end of the year. Financial terms were not disclosed. A top official of Sun Media said the Chinese market is ready for the Luxe TV concept. A study made by Ernst & Young indicate that demand for luxury goods on the mainland has reached an average of US$2 billion in annual sales and is expect to reach US$11.5 billion by 2015 when the country would account for 29 percent of all luxury goods purchases worldwide. Sun Media runs Asia Multi-Media Technology Services Holdings, which owns a 34,880-km national IP fiber optic network servicing 440 mainland cities. Other Sun Media investments include television and multimedia production enterprises and more than 10 cable and satellite television channels on the mainland and in Hong Kong, Taiwan,

Singapore, Malaysia, Australia, New Zealand and North America. Sun Media Investment Holdings is one of China's largest investment groups.

Software

- **AsiaInfo Holdings, Inc., a provider of telecom software solutions and security products and services in China, reported a US$360,000 drop in net profit in the first quarter, from US$1.3 million last year.** AsiaInfo explained the decline in income as related to its acquisition of Lenovo's IT service unit in a deal valued at US$36.3 million in July 2006. The company said that Lenovo-AsiaInfo contributed nominally to AsiaInfo's net revenue in the previous quarter, and 23 percent to total operating expenses for the first quarter of 2006. The company expects Lenovo-AsiaInfo's security products and services business to book an operating loss of approximately US$1 million in the second quarter compared to US$1.9 million in the first quarter. AsiaInfo said its revenue from software products for the first quarter posted a 4-percent year-on-year and 27-percent quarter-on-quarter growth to US$16.1 million. It reported a 7-percent year-on-year growth and a 69-percent quarter-on-quarter decline to US$10.4 million.

Hardware

- **Samsung (China) announced its plan to reduce production costs by increasing the scale of purchase in China, with the amount expected to reach US$18.5 billion in 2006.** Samsung's International Purchase Center in China reached a total of US$15.3 billion in 2005. The company said it has moved its Hong Kong International Purchase Center to Shanghai in December, a move seen as aimed at easing the increase in procurement volume in China. The company also announced the change in the name of the center to China International Purchase Center. With ten offices, the center makes it purchases from Hong Kong, Shenzhen, and Tianjin.
- **Lenovo Group Ltd., Founder Group, Tsinghua Tongfang and TCL Corp. (TCL) announced that they will sign purchase orders worth US$700 million with Microsoft.** Within the figure, TCL's purchase accounts for US$60 million, Tsinghua Tongfang US$120 million, Founder US$250 million, and Lenovo US$27 million. The agreement between the four PC producers will all be for three years. Lenovo and Founder will each sign the contracts by themselves as Microsoft's strategic partners in the Asia-Pacific areas. Tsinghua Tongfang and TCL, together with China Mobile Communications Corp. (China Mobile) and China Construction Bank (CCB), will sign the contracts with Microsoft.
- **China Precision Technology Ltd., an integrated manufacturing services company for the electronics industry based in China announced the launching of its IPO to list its shares on the Main Board of the Singapore Exchange Securities Trading Ltd. (SGX).** The company said it looks to raising net proceeds of approximately S$20.7 million (US$13 million). Companies in the China Precision Group consist of the Dongguan Xingbo Precision Mould, Dongguan Zhongxing Electronics, Hong Kong Sunrise Enterprises, Ningbo Sunrise Electronics, Ningbo Zhongjun Electronics, Ningbo Zhongjun Automobile Parts, Suzhou Zhongxinglian Precision Industry and the Wuxi Ruite Surface Treatment. The group manufactures and supplies electronic tuner components. For 2004, the group recorded sales of 309.1 million yuan (US$38.5 million), a 63.6-percent increase from the 188.9 million yuan (US$23.5 million) in 2003. The company said its net profit posted a 72.4-percent rise to 61.2 million yuan (US$7.6 million) in 2004 from the 35.5 million yuan (US$4.4 million) in the previous corresponding period. The company said it plans to use some 57.1-percent of the net proceeds for the acquisition of new machineries, equipment, land and facilities; about 2.5 percent of the fund or S$600,000 (US$379,000) will go to R&D and S$1.6 million (US$1 million) will be set aside as working

capital. The manager and co-placement agent of the offering Phillip Securities Pte. Ltd. UOB Kay Hian Pte. Ltd. is the underwriter and placement agent for this IPO.

- **China Technology Global Corp. announced the acquisition of 49 percent of Si Chuan Ying Shan Digital Technology Co. Ltd. (YS Digital).** YS Digital was founded in 2004, and is now one of the leading disc production companies in the southwest region of China. According to the top official of China Technology, YS Digital has maintained a clean record on the government list of having no illegal copies, especially in the wake of the suspension of 14 disc-production licenses by the central government last month. No financial details were disclosed.
- **TCL Corp announced that for the first quarter its loss narrowed from 327.2 million yuan (US$40.8 million) to 130.3 million Yuan (US$16.2 million).** The company said its sales went up from 11.7 billion Yuan (US$1.4 billion) to 11.9 billion Yuan (US$1.5 billion). TCL owns CL Communication Technology Holdings, a mobile-phone maker, and TCL Multimedia Technology Holdings, which teamed up with France's Thomson to create the world's largest manufacturer of televisions. The company attributed 46 percent of the company revenue of HK$8 billion (US$1 billion) in the first quarter to the European and North American markets and 38 percent to China. Making up the rest were the emerging markets and sales from its original equipment manufacturing business. TCL Multimedia posted a HK$139 million (US$18 million) net loss for the first quarter this year, an increase on its HK$48 million (US$6.1 million) net loss a year ago. The figure did not include the acquisition of the loss-making French television giant Thomson in 2004. In 2005, full-year net losses amounted to HK $598.8 million (US$77.2 million) from a net profit of HK$308.9 million (US$39.8 million) a year ago. The firm aims to sell 23 million televisions worldwide. TCL Corp is China's biggest publicly traded consumer-electronics maker.

Telecommunications

- **Figures released by the country's Ministry of Information Industry (MII) indicated that revenues from China's postal and telecom sector reached 169.2 billion Yuan (US$21.1 billion) in the first quarter this year, a figure representing an 11.8-percent increase year on year.** Within this figure, the report said the postal bureau's revenue registered a 13.7-percent rise to 15.8 billion Yuan (US$2 billion), with the telecom revenue rising by 11.6 percent to 153.4 billion Yuan (US$19.1 billion). By the end of March, the number of China's fixed line users rose to 358.7 million, representing 8.3 million more than the previous quarter, while the number of mobile phone users grew to 409.6 million, representing an increase of 16.2 million from the previous quarter. The report also said that the volume of text messages posted a 47-percent year-on-year increase to 98.8 billion.

Taiwan

Hardware

- **Acer announced an 86-percent rise in its first-quarter profit to NT$4 billion (US$125.4 million) from NT$2.1 billion (US$65.8 million) a year ago and NT$2.1 billion (US$65.8 million) in the previous quarter.** The company ascribed the growth to strong demand from Asia and North America and beat forecast made by analysts. Acer looks to its net profit reaching NT$10 billion (US$313.6 million) and its consolidated revenue posting NT$400 billion (US$12.5 billion) this year.

Semiconductors

- **Taiwan Semiconductor Manufacturing Co (TSMC), announced that for the first quarter, its profit almost doubled to NT$32.6 billion (US$1 billion) from NT$16.8 billion (US$526.8 million).** The world's biggest supplier of custom-made chips ascribed the growth to an increased demand for computers and mobile telephones. TSMC said its sales for the quarter increased by 39 percent to NT$77.2 billion (US$2.4 billion). It forecasts its revenue to grow between NT$79 billion (US$2.4 billion) and NT$81 billion (US$2.5 billion) in the second quarter, from NT$58.5 billion (US$1.8 billion) a year earlier. TSCM points to wireless communication and digital consumer electronics as the main drivers for the second quarter.
- **United Microelectronics Corp (UMC) announced that its net income for the first quarter this year posted a growth of 303 percent to NT$12.2 billion (US$382 million).** The figure is 708 percent higher from the same period in 2005. The second largest supplier of customized chips projected "very strong" demand for mobile-telephone parts in the second quarter. Within UMC's first-quarter earnings, about NT$12.9 billion (US$404 million), represented an 11.2-percent decline from the previous quarter, but a 20.2 percent increase from last year. The company expects worldwide sales of consumer electronics to rise 8 percent this year. The company said its second-quarter wafer shipments were expected to rise from 5 percent to 6 percent sequentially while the average selling price would gain 2 percent. UMC revealed that it is maintaining its US$1 billion capital expenditure plans for this year.

Hong Kong

Media, Entertainment and Gaming

- **Cascade, a subsidiary of Hong Kong-based PCCW, announced the building and installation of an IPTV system for True Digital Entertainment in Thailand, a subsidiary of the True telco.** The Cascade QualiTVision system, chosen from four competing bidders, provides True a self-contained IPTV turnkey solution. The system is seen as enabling True to add IPTV to its broadband services that in turn will allow it to target some 500,000 broadband subscribers by the end of the year. Cascade claims that its network-based conditional access (CA) is more secure than anti-piracy mechanisms that reside on smartcards or set-top boxes. Since 'right-to-see' is built directly into the broadband equipment on True's premises, subscribers and content providers are given a high level of security. Cascade also designed, built and maintains PCCW's Now TV network, the world's largest IPTV deployment to date. Now TV currently has over 549,000 subscribers in Hong Kong. In a separate report, PCCW announced the launching of moov.now.hk, Hong Kong's biggest online music portal with a library of more than 40,000 songs.

Internet

- **Tom.com, a Hong Kong Internet company disclosed that it has removed about 40 percent of its mainland website postings following an order to weed out "harmful" content.** A key official of the company said about 40 percent of pictures uploaded by users had also been removed for the same purpose. The company said the move was done out of a sense of social responsibility.

Singapore/Malaysia/Philippines/Indonesia

Mobile/Wireless

- **The Philippines mobile operator Smart Communications announced that it has changed its wireless broadband brand from 'Smart Wifi' to 'Smart Bro'.** The company said its parent company Philippine Long Distance Telephone (PLDT) would also be selling Smart Bro in place of its 'My DSL-W' wireless offering. Smart is currently upgrading its network facilities by deploying additional base stations and terminal equipment and installing upgraded routers. It is also expanding its network's core transmission backbone capacity to 10 Gbps. At the end of 2005, PLDT and Smart reported a combined 25,000 wireless broadband subscribers, 22 percent of their total broadband customer base. In a separate development, Smart Communications, a mobile operator in the Philippines, said it has expanded its 3G network to 60 cities in the country. Smart wants to expand its 3G network nationwide as quickly as possible. Smart said it has been expanding its 3G service offerings. The operator has recently added video streaming services such as real-time traffic monitoring and TV content. The company is currently in negotiations with broadcasters and content providers to syndicate further content.

Internet

- **After securing the necessary approvals from its shareholders and the Info-Communications Development Authority of Singapore (IDA), MediaRing Ltd announced that it will go forward with its voluntary conditional cash general offer to acquire all the issued shares of NASDAQ-listed Pacific Internet Limited.** The Offer will, in accordance with the Singapore Code, commence 14 to 21 days from today. According to the terms of the Offer, MediaRing will pay US$8.25 in cash per share for all of the issued ordinary shares in the capital of PacNet, other than those shares already owned by MediaRing. UOB Asia, the financial advisor to MediaRing, confirms that sufficient financial resources are available to MediaRing to satisfy in full all tenders in respect to the offer. With offices in Singapore, Malaysia, Indonesia, Shanghai, Beijing, Hong Kong, Taiwan, Japan and the U.S., MediaRing is a leading VoIP telephony service provider in Asia. Pacific Internet Limited is the largest telco-independent Internet communications service provider by geographic reach in the Asia Pacific region. PacNet has direct presence in Singapore, Hong Kong, China, the Philippines, Australia, India, Thailand and Malaysia.
- **Intel and Pacific Internet Limited (PacNet) announced their entering into a partnership for the deployment of a mobile WiMAX network in Singapore.** A memorandum of understanding (MOU) executed by the two companies asks them to initially test the technologies to better understand market needs and behavior. According to PacNet, strategic partnerships with leading technology companies such as Intel, will allow them to offer differentiated services by combining strong regional knowledge and presence with next-generation products and solutions from these vendors. PacNet said the trial with Intel will begin in mid-2006 and will test performance of both nomadic and mobile access.

United States/Canada

Internet

- **Skype announced that it has signed a deal with EMI Music Publishing, Sony/ATV Music Publishing, Warner/Chappell Music and the British association for author and publisher rights, the MCPS-PRS Alliance.** Under the deal, audio clips from artists will be made available to its users as ringtones. The deals give the rights to songs from the publishers' catalogues but not artist renditions of the songs, with the firm having only a performance-rights deal with Warner Music Group. Skype said it has some 100 million users, who call free from computer to computer, or pay a small fee to place and receive calls from regular phones. Online auctioneer eBay bought the company last year for US$2.6 billion.

- **Amazon.com reported that its first-quarter net income went down to U.S. $51 million compared to US$78 million for the same time last year.** The company, however, registered a 20-percent net rise in sales to US$2.2 billion, compared with US$1.9 billion last year. Amazon forecasts that by the end of this year its annual net sales would range from US$9.9 billion to US$10.5 billion, and operating income of US$390 million to US$520 million.

Software

- **Microsoft announced a 16.4-percent growth in its third-quarter net income to US$3.8 billion, as compared with US$3.3 billion for that quarter in 2005.** The company ascribed the growth to the demand for its latest products, which include the new software releases and theXbox 360 electronic game systems. Microsoft said its revenues posted a 13-percent rise to US$10.9 billion as compared with the same quarter a year earlier. The company said it is confident in its future performance. It disclosed the buy back of some US$4.9 billion worth of stock during the quarter. Microsoft predicts that its operating income for the quarter ending June 30 will be from US$4.0 to US$4.2 billion. Its revenues for the current quarter are expected to hit US$11.5 to US$11.7 billion. Microsoft said it's looking for revenues of US$49.5 to US$50.5 billion, and operating income ranging from US$18.7 to US$19.3 billion in the fiscal year ending in June of 2007. In another development, Microsoft is reportedly in negotiations to acquire Massive, a company that inserts advertising into video games. The deal estimated to be worth from US$200 to US$400 million is expected to boost Microsoft's efforts to enter the business of selling advertisement, in a bid to better compete with Google and Yahoo.
- **NetSuite, a privately held firm controlled by Oracle chief executive Larry Ellison, is said to be making aggressive efforts to be the dominant software-as-a-service (SaaS) provider in Asia's highly fragmented market.** Unlike traditional enterprise applications suppliers such as SAP, Oracle and Microsoft, firms like NetSuite deliver their software via subscription on the Internet. NetSuite said it delivers customer relationship management, enterprise resource planning, and e-commerce applications in one package. International Data Corp (IDC) forecasts worldwide spending on SaaS will increase, 21 percent annually into a US$10.7 billion market in 2009. It estimated small-and mid-sized enterprises (SMEs) in Asia would account for 28.4 percent of the US$13.4 billion packaged software market this year. Broad business suites from SAP and Oracle dominate the large enterprise market, but the mid-sized segment has no dominant platform. Mid-sized companies have had to operate separate,fragmented software packages to run their businesses.

Hardware

- **IBM announced the increasing of its dividend by 50 percent, a move that sees the transfer of an additional US$1.9 billion to shareholders per year.** IBM also disclosed that its board has authorized the company to buy back an additional US$4 billion in company shares. The company already had US$2.5 billion still set aside for that purpose, raising the total available for buybacks to US$6.5 billion. IBM has spent US$24 billion buying back stock since 2002. Observers are saying that with the slow growth of IBM's revenue, it is expected that rival Hewlett-Packard is expected to pull ahead as the world's largest IT vendor this year.

- **Intel announced it would undertake a restructuring that would cover every aspect of the company's operations.** Earlier, Intel disclosed a decline of 38 percent in its first-quarter profit citing the slowing down in the sales growth for PCs, which resulted to inventory buildups. Intel also announced it would slash some US$1 billion in spending during the latter part of this year.

Telecommunications

- **Lucent Technologies, a telecommunications equipment manufacturer, disclosed that its fiscal second-quarter earnings went down to US$181 million, compared to the US$267 million it earned a year earlier.** Lucent said its revenue went down to US$2.1 billion from US$2.3 billion in 2005. In the U.S. its revenue posted an 11-percent decline to US$1.5 billion, while its revenues outside the U.S. fell 9 percent to US$642 million. Lucent said it predicted its full-year revenue to decline from US$9.4 billion posted a year earlier, with the company citing the anticipated decline in revenues of US$500 million from India and China. In the two countries, the deployment of the next-generation mobile networks has been delayed due to licensing problems.

Europe

Hardware

- **Siemens announced that it has agreed to acquire Diagnostic Products Corp for about US$1.8 billion in cash in a bid to enhance its medical division, the manufacturer's most profitable unit.** The company posted a 14-percent rise in its net income during its second quarter, last month to 887 million euros (US$1.1 billion). Siemens said sales from the company's continued operations posted a 21-percent rise to 21.5 billion euros (US$27.1 billion). Observers are saying that Siemens, General Electric and Royal Philips Electronics are seeking to increase their presence in the medical-equipment field. Siemens has slashed about 7,000 jobs, shed units and spent more than 3 billion euros (US$3.7 billion) on acquisitions. The company's communications division, its largest by sales and employees, reported operating profit of 27 million euros (US$34.1 million) on sales of 3.3 billion euros (US$4.1 billion) in the period.

Mobile/Wireless

- **Nokia revealed that it has agreed to pay US$253 million for the settlement of a dispute over royalties for telecom technology to U.S.-based InterDigital Communications.** InterDigital said it sued over payments for 2G mobile phone technologies. The deal will release Nokia from infringement liability for its worldwide sales of 3G- terminal units and infrastructure. According to InterDigital talks about a new license will go on.
- **Alcatel** posted a 16.1 percent decline in its quarterly net profit to 104 million euros (US$129 million), from 124 million euros (US$156.6 million) in the first quarter of 2005, when it posted a one-time 69-million euro (US$87.1 million) capital gain. The report indicates a sharp rise in revenue from fixed-line equipment sales, on strong demand for fast-growing "triple-play" services combining Internet, phone and TV. Alcatel said its overall revenue went up by 17.6 percent to 3 billion euros (US$3.8 billion), helped by a 29 percent surge in fixed-line sales to 1.2 billion euros (US$1.5 billion). In Alcatel's mobile equipment business, strong emerging markets sales helped revenue rise 15.1 percent to 908 million euros (US$1.1 billion), but operating profit declined 13.6 percent to 57 million euros (US$71 million).

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