



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

***Week of 14 May - 20 May, 2006***

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## Weekly Highlights

### International

#### *Mobile/Wireless*

- **A study by Juniper Research forecasts that the total number of Mobile WiMAX subscribers will grow from 1.7 million in 2007 to 21.3 million in 2012.** The report forecasts a higher growth in developing regions where operators are looking at speeding up the introduction of 3G and adopting OFDMA-based Mobile WiMAX standards. Developed regions like South Korea and Japan are expected to see a reduced adoption rate towards 2010 due to the markets reaching saturation in terms of mobile penetration. With the ability of Mobile WiMAX to serve mobile as well as fixed wireless subscribers, Juniper Research believes that Mobile WiMAX will be adopted across both markets. The study indicates that the global market for Mobile WiMAX equipment including base stations and CPE equipment is estimated to reach US\$2.5 billion by 2012. Juniper Research predicts that Mobile WiMAX services will be primarily data-driven and that the voice services market will be less than 10 percent of the total Mobile WiMAX services market in 2012. The report points to North America as one of the largest markets for Mobile WiMAX voice services and is expected to make up 32 percent of the total worldwide market in 2012.

#### *Internet*

- **A survey conducted by the Hong Kong Trade Development Council (TDC) indicated that buyers and suppliers are going through changes in their media consumption and Internet budget.** The study surveyed a total of over 7,000 worldwide suppliers and buyers in 2005 to find out the latest sourcing and promotion trends. According to the survey, the sourcing preference of buyers is shifting towards the Internet at a pace faster than suppliers. The report said 14 percent of surveyed suppliers said they used the Internet for marketing five years ago, with 27 percent stating their preference to shift to the Internet after five years.
- **A report by eMarketer indicated that in 2005 more than one billion people in the world had access to the Internet.** The firm estimates that a quarter of these populations, equivalent to nearly 250 million households, have broadband connections. The report also said that within this number there are 845 million regular users of the Internet. The U.S. remains at the top, with its Internet users numbering 175 million, with broadband households registering 43.7 million. By region, Asia-Pacific has the largest, with 315 million. The region is the site of the largest broadband center, with nearly 40 percent of the world's broadband households. Worldwide, Latin America is the fastest growing broadband, posting a 70-percent rise in subscription. The region, however, is a home to just 70 million online. Europe came in with 233 million people online and 55.2 million broadband households. China registered 111 million users and 34.1 million broadband households. The report is based on the surveys and data from International Telecommunication Union and Organization of Economic Cooperation and Development.

### Japan

#### *Internet*

- **KDDI Corp and Google announced their entering an agreement to offer an Internet search engine service that will provide Google's technology to subscribers of KDDI's au cellular**

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**phone service.** Under the agreement, subscribers of KDDI's EZweb handset-based Internet access service can use Google's search engine function. The alliance with KDDI marks Google's first with a mobile phone operator in Japan. Google has similar deals with cell phone service providers in Europe. The report said KDDI is slated to remain its only partner here for the time being even as Google stated it also wants to work with other cell phone service firms in the future.

- **Rakuten Inc. said the company would open its Internet shopping mall in the U.S. and list its shares on a U.S. stock exchange.** A company official said it is opening Rakuten Ichiba, an Internet mall, and go on the board in the U.S. at the same time in an effort to boost its profile as well as to raise money more easily in the financial market. The company is looking to differentiate itself from rivals like Yahoo Japan, by expanding its operations outside the country. The company also sees its expansion in the U.S. in recognition of the country's Internet market being larger than the Japanese market. According to a report released by the Economy, Trade and Industry Ministry in March 2005, the size of the market in consumer e-commerce in Japan was 5.6 trillion yen (US\$50.1 billion) in 2004, while the market in the United States was 16.2 trillion yen (US\$145 billion), or almost three times bigger. Already, the Japanese company has acquired Linkshare Corp., a U.S. Internet marketing company, in September as a step toward entering the U.S. market. On the domestic front, Rakuten said it is considering a plan to separate its financial services businesses, and major revenue sources, such as Rakuten Securities Inc. and Rakuten KC Co., a credit card firm, from its main group and put them under a newly-created holding company.
- **Four companies of the Nippon Telegraph and Telephone Corp. group disclosed its plan to make 7,000 base stations commonly available for their customers for wireless Internet connection services by next March.** NTT Communications Corp., NTT East Corp., NTT West Corp. and NTT DoCoMo Inc. have already deployed their respective wireless LAN base stations for Internet connection services at railway stations, airports, restaurants and other facilities. In a bid to counter the Softbank Corp. group, which has some 3,500 base stations in Japan, the four NTT firms will commission a specialist company to run such base stations that can be commonly used by their respective customers. NTT Communications and NTT DoCoMo each have some 3,000 base stations, and NTT East and NTT West have some 5,400 bases combined. As some of them are made common to their customers with new common bases created, the number of base stations available for wireless Internet connection is expected to double for NTT Communications and NTT DoCoMo customers and rise some 30 percent for NTT East and NTT West clients.

## *Mobile/Wireless*

- **A report said Merrill Lynch & Co. and Morgan Stanley were chosen to arrange the initial public offering of Willcom Inc., a Japanese mobile phone company owned by Carlyle Group Inc.** The two U.S. banks join Daiwa Securities SMBC Co. in managing a stock sale that may raise as much as 100 billion yen (US\$892.1 million). The report said the sale is expected to take place in the first quarter of next year. Formerly known as DDI Pocket Inc., Willcomm offers wireless phone and Internet access services by using technology different from that of Japan's three largest mobile phone companies, NTT DoCoMo, KDDI Corp. and Vodafone K.K. The IPO is seen as the largest telecommunications offering in Japan since NTT DoCoMo Inc., Japan's largest mobile phone company, sold 950 billion yen (US\$8.4 billion) of shares in 2001.
- **Softbank Corp. announced that the name of the mobile phone unit it acquired recently will be changed to Softbank Mobile Corp.** The company's top official said that the company has decided to use its group name as the brand for the new mobile services "because it will enable the entire Softbank

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group to cash in on resultant synergy effects most effectively." Softbank also said that it would set up a joint venture with Vodafone Group Plc to develop mobile phone handsets. Softbank, the Japanese company, acquired the unit from the British firm. Equally financed, the joint venture is expected to have a maximum capital of 11 billion yen (US\$98.4 million).

## *Media, Entertainment and Gaming*

- **Sega Sammy reported for the year to March a 31-percent increase in its net profit to 66.2 billion yen (US\$592.7 million) on revenue of 553.2 billion yen (US\$5 billion), up 7.3 percent from the previous financial year.** The company ascribed these results to robust revenues from video and arcade games that made up for a fall in sales of pinball and slot machines. The company said its operating profit registered a 13.4-percent growth to 119.1 billion yen (US\$1 billion). Sega Sammy said that sales in its pachinko pinball and slot machines were down by 5.2 percent over the year, ascribing the decline to the popularity of large-scale amusement centers. The company said it looks to the strong revenues from amusement machines and portable game consoles as the driver for its future growth. Sega Sammy forecasts for the current financial year to March next year a 13.3 percent increase in its net profit to 75 billion yen (US\$671.5 million) on revenue of 682 billion yen (US\$6.1 billion), up 23.3 percent.

## *Software*

- **The Open Source Development Labs (OSDL), a global consortium dedicated to accelerating the adoption of Linux and open source software, has announced the appointment of Takashi Kunai as its new director of Japan.** Kunai was with Fujitsu for over 30 years, development leader for UNIX and their mainframe operating systems. The body said Kunai brings more than 30 years of software development and business experience to his new role at OSDL where he will lead the Labs' key initiatives in the region. Specific emphasis will be given to bridging communications among vendors, the open source community, and the Japanese customers. Additionally, Kunai will focus on helping to drive the adoption of the Linux operating system on enterprise servers and mobile devices. Japanese companies such as Fujitsu, Hitachi and NEC are global leaders in the Linux-based enterprise server market.
- **Sony Corp. revealed its plans to unveil new client software that will extend its LocationFree TV platform to Macintosh computers and a wider range of mobile devices.** LocationFree TV is a platform that streams a live video and audio signal from a base station to client devices. It allows users to watch TV and video from devices in their living room on a remote computer, so long as there is a broadband connection between the base station and the client. The new client software is a product of two recent licensing agreements. One, with Access Co. Ltd., covering the development of clients for devices like cell phones and PDAs (personal digital assistants) and secondly, a Mac client, Kaga Electronics Co. Ltd.

## *Hardware*

- **Matsushita Electric Industrial Co Ltd (Panasonic) announced that it has begun developing technology to record digital HD (high-definition) images onto SD memory cards.** The company said it is also constructing a new environment for editing and playing back the images. With the expected adoption of HD broadcasting in many countries and the widespread sales of HD TVs, people will be able to view HD images at home with increasingly enhanced viewing environments. The development of new device technology for the home video market is prompting a major switch in recording media to discs and SD memory cards (solid-state memory), which are easier to use and more convenient than tape media.

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## *Semiconductors*

- **Toshiba Corp., the world's second- biggest maker of NAND flash memory, announced that it is considering building two more factories, including its first overseas plant, in a bid to compete with rivals in the market.** The company said it may shell out some 300 billion yen (US\$2.6 billion) in setting up its fifth NAND flash plant in northern Japan, with the sixth being planned for Singapore. The company said it is investing some 622 billion yen (US\$5.5 billion) in its semiconductor unit over three years to meet rising demand for the chips used in gadgets that include Apple Computer Inc.'s iPod nano music players and mobile phones. The company, whose NAND memory market share is half that of Samsung, is expected to meet increasing competition as Intel Corp. enters the market valued at US\$13.8 billion this year. ISuppli Corp. said Toshiba holds about 22 percent share of the global flash memory market in 2005, with Samsung, the industry's leader, owning a 53-percent share. In a separate development, Intel, the world's biggest computer-chip maker, and memory-chipmaker Micron Technology Inc. disclosed that they would spend US\$1.2 billion each to enter the growing NAND memory market. ISuppli predicts that all global sales of NAND flash are expected to rise 29 percent this year to US\$13.8 billion.

## *Telecommunications*

- **Telecontinuity, the world's first provider of a survivable, disaster-proof backup telecommunications network, announced it would be opening an office in Kyoto, Japan to deploy its Survivable Communication Network technology in Japan and throughout the Pacific Rim area.** The company said it expects to have its Survivable Communication Network operational in Japan in the second half of 2006. In addition to Kyoto, TeleContinuity also expects to open an office in London to service the European market. Through the Kyoto and London offices, TeleContinuity will provide international services to companies and government agencies that need to maintain telephone continuity during any type of disaster, emergency, or evacuation. TeleContinuity is focused on providing telecommunications-assurance services to government and businesses customers worldwide.

## *Information Technology*

- **Japan Third Party Co., a firm that provides technical support for foreign IT companies announced that it is entering the Japanese market and has received approval to list on the JASDAQ Securities Exchange.** The company said it would offer 3,700 shares to the public in its IPO. Of those, 2,800 are newly issued shares and 900 are shares currently held in private.

## **Korea**

### *Internet*

- **Dacom announced that it has signed an MOU with CJ Cablenet to provide a nationwide, interactive banking service on the TV platform.** Dacom is already signed up with CJ Cablenet's competitors, KDMC and BSI, to provide T-banking services. CJ Cablenet is providing T-banking through Woori Bank and Nonghyup. Through its partnership with Dacom, CJ Cablenet is seen as being able to add six more banks. In two years and five months with KTF's consulting, Mobile-8 attracted 1.5 million subscribers. In a separate development, KTF and Samsung Corporation announced that it has invested US\$ 2.2 million and established a joint venture, Freekoms, which is providing ring-tone service for Mobile-8 subscribers.



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- **The South Korean government said it is considering rating web sites on how well they protect the personal data of their subscribers.** According to a 2007 budget plan of the Korea Information Security Agency (KISA), the state-backed agency seeks to phase in a five-grade rating system. The government source said the ranking of web sites would be from one to five in accordance with its collection of personal data and information revelation so that users can recognize its security level at a glance. The report also stated that KISA seeks to create criteria for assessing web sites through field tests on web site operators and surveys of users. Industry experts are saying that recent problems with Web site security prompted KISA, affiliated with the Ministry of Information and Communication, to come up with the measure.
- **Korea.com, a portal operated by Daesung Group announced its move to enter the global market, showing a multilingual site focusing on foreign users.** Korea.com is to open the multilingual site supporting English, Japanese and Chinese, which is designed so that users abroad may be automatically connected to the relevant language page depending on the user's web browser version. At present, portals like Naver and Yahoo have operated independent sites by local corporations, but it is the first case that a portal site offers an automatic multilingual connection service. The multilingual site is expected to provide important common information and news of the country first and special information like Korean culture, tourism, history, geography, investment, and community service. It will be operated focusing on differentiation depending on languages; Japanese site offers tourism contents focused on Korean trends, Chinese site with content focusing on traditional Korean culture and an English site with overall information about Korea.
- **An official disclosed that KT has filed for a patent for INN (Internet News Network) and is expecting to receive it by the end of this year.** The company said that once it receives the patent, it plans to set up a joint venture company with equity investment from global broadcasting companies such as NHK, KBS, CNN and BBC to provide a service through the IPTV network. The company, however, said that its entry into the market will not employ the KT brand but through a partner with a major global broadcasting company.
- **Samsung Electronics announced its partnership with Bell South Corp. for cooperation in the next generation Internet protocol (IP), a move that is seen as the company's way of entering the next generation IP convergence market in the US.** Under the alliance, Bell South said it plans to begin 'Triple Play Service (TPS) combining Internet, broadcasting, and telephone with the use of the next generation IP terminals 'Soho Master', supplied by Samsung. TPS allows sharing voice, movie, and picture as well as Internet broadcasting through IP terminals supplied by Samsung. The two companies said they are aiming to develop the next generation of the IP terminal market and lead the IP convergence market in North America. Bell South Corp. is a U.S.-based telephone and high-speed Internet provider and has 4.6 million subscribers to telephone and 1.7 million subscribers to digital subscriber line (DSL).

## *Media, Entertainment and Gaming*

- **NHN said it would update its MMORPG Arch Lord developed by NHN Games, adding more contents and introducing a new system within the game.** Arch Lord has been in closed beta testing with 20,000 users in China since April. Daum said it has initiated closed beta tests of its open blog service, Tistory.com, in partnership with Tatter & Company. Tatter & Company is the company that operates Tattertools, a professional blogging software. Tistory.com provides API support, unlimited capacity for multimedia uploads and is heavily focused on video contents. FIFA Online, an online soccer game developed by Neowiz and EA (Electronic Arts) will start open beta service soon. The

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company said open beta will continue during the World Cup games and commercial service will start soon after.

- **SK Telecom's music fund, the SK-PVC #1, announced that it would be buying a 29-percent stake in JYP Entertainment, a move that would make it the second largest shareholder of JYP Entertainment.** SK Telecom disclosed that its music fund bought some 4.1 billion won (US\$4.3 million) worth of JYP's convertible bonds. The company did not reveal a timeframe when the bonds will be converted but said that it would happen in the near future. In another development, SKT denied rumors that it will be jointly investing with Yahoo! Korea in Media Corp. It also announced the renovation of its retail shops across the country in order to give customers a hands-on experience when they buy handsets. These shops will serve as facilities with interiors using liquid crystal displays rather than one-dimensional paper posters. Teaming with South Korea's major entertainment companies including a recent partnership with iHQ, SK Telecom has launched Star Zone, a mobile star portal community. Star Zone connects 30 national superstars with their fans through mobile web sites of celebrities and the exchange of mobile letters.
- **Observers note that South Korea's two versions of video-on-the-move, called digital multimedia broadcasting (DMB), are seeing intense competition in the domestic market.** Korea Broadcasting System (KBS), a broadcaster of terrestrial DMB, said it plans to expand coverage of the go-anywhere TV from the current small service areas in and around Seoul to the whole nation, before the kickoff of the 2006 World Cup in Germany next month. TU Media, which is in charge of satellite DMB, revealed that it is airing adult contents after the country's broadcasting authorities gave the green light to such a plan. The country's Ministry of Information and Communication said it has allowed KBS to broadcast a pair of video channels nationwide through terrestrial DMB terminals. TU Media, an affiliate of the country's top mobile operator SK Telecom, plans to add an adult channel for those over the age of 20 later this month, with the offerings seen as bottom line of TU Media, which will charge an extra monthly fee of 3,000 won (US\$3.1) for them in addition to the overall 13,000 (US\$13.7) won rate a month.
- **Industry observers are looking into user-created content (UCC) and their rapid evolution, and as they expand into the digital multimedia broadcasting and mobile handset areas.** UCC is also widely used for university students' club activities. There is Freechal, which recently unveiled video entertainment homepage service "Q," in which users tell their life stories with video content. The company has also teamed up with KBS DMB to provide the UCC video over a DMB channel. The service is expected to become a digitally broadcasted UCC video service, while other service providers are also making fast moves to reinforce video UCC service. The two groups said they plan to sign a memorandum of understanding, and launch a new service in October this year. Another firm is Pandora TV, which has been rolling out some 100,000 cases of UCC. The content is also provided over Multipack-enabled mobile phones adopting a Wi-Pi platform. Video community service provider Damoim also has launched a university club UCC service. The company said it is seeking to secure movies and theater club activities, providing unlimited upload for such content. It expects rollout of quality video including award-winning short films and original theater performances to help attract users.

## *Mobile/Wireless*

- **KTF announced that it has signed a US\$400,000 network-consulting contract with Indonesian CDMA operator, Mobile-8.** Since Mobile-8 started Indonesia's first CDMA mobile telecom service in 2003, KTF said it has been providing them with an integrated consulting service for the last three years,



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worth US\$13 million. The network consulting contract that was signed is an extension of the original contract signed in 2003.

## *Telecommunications*

- **SK Telecom announced that it has started a global roaming service in Germany ahead of the 2006 World Cup soccer finals.** The roaming service, which allows handsets to work on mobile phone networks in both South Korea and Germany, was jointly offered by O2 Plc, a British wireless company, and E-Plus, a German wireless unit of Dutch telephone company Royal KPN NV. This marks the company's third global roaming service in Europe after Italy and France. Under the offering, the company said its customers would be able to use their mobile phones in Germany, using networks of the two European operators. In a separate development, SK Telecom recently selected four wireless Internet and mobile solution companies as partners in order to revamp the 1mm service so that it is conceived as a faster and more convenient way for users to access wireless Internet rather than an AI service. The new version of 1mm is expected to launch in 2H06.

## *Information Technology*

- **LG, GS, and LG groups announced their entering an agreement to jointly push for ubiquitous city, radio frequency identification and ubiquitous sensor network business, targeting the ubiquitous market emerging as a next-generation growth engine.** This is the first time that the three teamed up since the establishment of 7 Line in LG Philips LCD's Paju Plant. Ten affiliates of the groups, including LG CNS, LG Electronics, LG Innotech, LG Chemical, LG Telecom, Dacom, LS Cable, will be joining the push. Under the partnership, LG group will develop solutions for u-service, IT infrastructure, wireless and backbone telecom service for the U-City project, while GS and LG build cities and optical and power facilities, respectively. They will also team up for joint research and development to win the U-City project of Song-do. LG Group will be responsible for sensor network link technology, mobile RFID reader modules, and sensor wireless communication technology, with GS and LG covering RFID/USN applications and RF modules and RFID tag/reader development, respectively.

## **China**

### *Internet*

- **NetEase.com Inc. announced that its first-quarter profit went up by 91 percent to US\$36.6 million from US\$19.2 million a year ago.** The company ascribed its good performance to the double-digit growth registered by its game, Fantasy Westward Journey. The company reported that its total revenue went up by 8.7 percent to 529.8 million yuan (US\$66 million). Its online game revenues for the quarter posted a 12.4-percent rise quarter on quarter and 71.9 percent year on year to 450.6 million yuan (US\$56.2 million). This exceeded the company's guidance of 8 percent to 10 percent quarter-on-quarter growth. NetEase said its sales of online-game subscriptions climbed 72 percent from a year earlier as the number of users in China surged. The company said that its games, Fantasy Westward Journey and Westward Journey Online II, reported peak concurrent user numbers of approximately 1.2 million and 580,000 respectively, for the first quarter. It disclosed that it is making progress on its next-generation games, Datang and Tianxia. The company expects to begin early testing on Datang soon, while early testing for Tianxia should start in the second half of 2006. NetEase.com Inc. is China's second-biggest online game operator.

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- **The 2006 C2C Online Online Shopping Research Report revealed that the number of consumer-to-consumer (C2C) shoppers in Beijing, Shanghai and Guangzhou reached 2 million by the end of March this year.** The figure pushes the ratio of online shoppers to Internet users to 16.2 percent. Of the three cities, Shanghai featured a higher ratio than the other two cities, reaching as high as 18.5 percent while the ratios for Beijing and Guangzhou were 17.5 percent and 11.5 percent, respectively. The study noted that female buyers exhibited a higher willingness to purchase items online. In terms of user numbers, Taobao.com is at the top of the C2C market with a 67.3 percent share while eBay, EachNet, paipai.com and yipai.com registered 29.1 percent, 2.2 percent and 1.4 percent shares, respectively. Chinese IT research firm China Internet Network Information Center (CNNIC) issued the report.
- **China Telecom Group, China's largest fixed-line operator and PCCW Global announced the launching of the first private Ethernet broadband connection between Hong Kong and China.** The service is called International Ethernet Private Line (IEPL) and is an end-to-end managed bandwidth solution. The two companies said the offering provides customers with dedicated point-to-point cross border connectivity over a reliable platform at a high speed and with scalable upgrades. In its soft launch in 2005, the service was aimed at the banking and finance sector, as well as the IT industry. It presently serves the high bandwidth requirements of businesses in the trade and manufacturing sector. The two companies disclosed also that they have secured contracts for IEPL from U.S.-based enterprises for this service.
- **Shanda Interactive Entertainment reported a 95-percent decline in its first-quarter profit to 11.8 million yuan (US\$1.4 million) from 220 million yuan (US\$27.4 million).** The company ascribed the results to the drop in subscriptions sales. The company said sales registered a 31-percent drop to 341 million yuan (US\$42.5 million). Earlier, the company offered free games and also deployed software to download music and movies in an effort to counter its declining game subscription sales. Shanda said its sales of online-game subscriptions went down by 30 percent to 309.6 million yuan (US\$38.6 million) from a year earlier.
- **China Mobile (Hong Kong) revealed that it was discussing with Google the launching of an Internet search engine for mobile services in China.** Industry observers see this move of China Mobile as a way to counter the drop in its traditional voice services revenue. The country's largest mobile carrier by subscription disclosed its average revenue per user (arpu) as going down to 86 yuan (US\$10.7) from 92 yuan (US\$11) in the fourth quarter of 2005. No details about the two companies' partnership were revealed.
- **KongZhong Corp. announced for its first-quarter profit a 46-percent growth to US\$8.6 million year on year.** The wireless Internet portal ascribed the figure to the increasing popularity of its wireless value added services (WVAS). KongZhong said its revenues went up by 64 percent to US\$27.9 million from US\$17 million in the same period. The company looks to its revenues for the second quarter to be between US\$29.5 million to US\$30.5 million, and US\$110 to US\$115 million for the 2006 fiscal year. KongZhong said it would continue to invest in its wireless Internet portal business.
- **Online travel agent Ctrip.com International Ltd. announced a 22-percent year-on-year rise in its net income to 48 million yuan (US\$6 million) in the first quarter ending March this year.** The company said its net revenues posted a 60-percent rise to 156 million yuan (US\$19.4 million) over the same period the previous year. Ctrip attributed the figures to higher service cost brought about by increased revenue contribution from air ticketing services. Its hotel reservation went up by 36 percent year on year to hit 96 million yuan (US\$12 million), with the result ascribed to increased volume and

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commission per room per night. The figure also represented an 8-percent decline from the previous quarter due to a seasonally weaker first quarter. The company said air ticket booking revenues for the first quarter of 2006 registered a huge 103-percent rise to 60 million yuan (US\$7.4 million). The result stands for a 15-percent increase from the previous quarter, a performance attributed to a huge increase in air ticket sales volume and higher commissions generated per ticket. Packaged-tour revenues for the first quarter of 2006 showed a 173-percent growth to 9 million yuan (US\$1.1 million) from the same period in 2005 and 32 percent from the previous quarter.

- **Baidu.com, Inc. announced the signing of a memorandum of understanding (MOU) with IBM on the expansion of the application fields of hard disk search.** The project is aimed at finding an advanced way of search, aiming at the entire hard disk pool different from the traditional web search. To be carried out by IBM China Research Laboratory and Baidu, the partnership is seen as enabling Baidu's hard disk search to index and search IBM Lotus Notes files, through the integration of IBM Lotus Notes and Baidu's hard disk search software. The service is expected to help users when they are aiming for a rapid generation of information from a huge stockpile of sources.
- **Toodou.com announced the completion of a US\$8.5 million, Series B financing round, co-led by Granite Global Ventures, (GGV) and JAFCO Asia (JAFCO), with IDG Technology Venture, the Series A round investor, also joining in the round.** Toodou.com is a multimedia podcasting web site that allows average Internet users to share original audio and video clips. The company has a reputation as the leading video sharing company in China. Granite Global Ventures is an expansion-stage venture. Its China investments include Alibaba, Hurray Solutions, and AAC Acoustics. JAFCO Asia currently manages several long-term funds with aggregate capital under management of approximately US\$850 million. It invests in promising young technology enterprises with high growth potential in the Asia Pacific region. Its China investments include 3721 (acquired by Yahoo China), China Wireless and China Grentech. IDG Technology Venture is one of the earliest American venture companies to enter the China market. It is managing more than US\$500M funds with investment focus on the Internet, information services, software, telecommunications, networking technology and life sciences. IDGVC has invested more than 100 companies, including Sohu, Ctrip, Baidu and JRJ.

## *Mobile/Wireless*

- **Microsoft China Co. Ltd. and China TechFaith Wireless Communication Technology Ltd. announced the signing of a Memorandum of Understanding on the establishment of a strategic collaboration to promote the use of Windows Mobile and Windows Media technology.** According to the MOU, the two companies are going to jointly work on technology development as well as sales and marketing. The strategic partnership covers smartphone and entertainment handset product development, application development, collaborative sales and marketing, and an exchange of talent and technology. China TechFaith Wireless Communication Technology Ltd. is a NASDAQ-listed handset application software and handset solution provider in China.
- **Hurray! Holding Co. Ltd. a wireless music distribution company, disclosed an 83.5-percent decline in its first-quarter profit to US\$900,000 for the first quarter of 2006, compared to US\$5.6 million for the first quarter of 2005.** The company explained the drop to weakness in its WAP business, slowdown in its software business, and increased costs and operating expenses. Hurray! said its revenue posted an 11.4-percent increase to US\$16.6 million compared to US\$15 million a year ago. The company said its operating expenses hit US\$5.3 million in the first quarter of this year, a figure that represented a 73.9-percent increase year on year, attributing the cost increases to operating expenses

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consolidated from three acquired entities, namely Shanghai Magma, Huayi Brothers Music, and Freeland Music.

- **Linktone Ltd., a China-based provider of wireless interactive entertainment services, disclosed for the first-quarter profit a 28-percent decline in its net profit to US\$2.3 million, compared to US\$3.2 million in the year-ago period.** Excluding charges for restructuring and stock-based compensation, the company said its adjusted earnings totaled US\$3.5 million. Linktone said its quarterly revenue posted a 52-percent increase to US\$21.9 million from US\$14.4 million during the same period last year, with the company ascribing the figures to higher sales of short messaging, audio-related and 2.5G services, which consist of multimedia messaging services, wireless application protocol services and Java games.

## *Media, Entertainment and Gaming*

- **The State Administration of Radio, Film and Television (SARFT), the main television regulatory board in China, announced its setting up of a timetable for deployment of DTV systems, a move that is seen as enabling the deployment of digital television (DTV) in China before 2008.** The deployment of DTV is seen as the signal for the phasing out of analog television by 2015, according to a research report by Research and Markets. SARFT disclosed that to realize this aim, it is also considering asking domestic investors to join in the operation of pay TV channels. In a related development, the country's tax department has promised some tax-reducing or remitting policies on DTV investments. Analysts see this investment environment, combined with the large consumer market, is making DTV an attractive investment area in the next few years even with difficulties, such as lack of standardization, difficulties in network integration, lack of terminals, the immaturity of the market and deficiency of content.
- **Focus Media Holding Ltd., a leading out-of-home multi-platform lifestyle media company in China, reported a massive 257-percent increase in its first quarter non-GAAP net income of US\$11.8 million compared to US\$3 million in the same period last year.** The company said its total revenues for the quarter went up to US\$33.1 million from US\$9.6 million in the year-ago quarter. Focus Media said its advertising service revenue from the company's commercial location network posted a 127.7-percent growth year on year to US\$21.5 million. It forecasts total revenues for the second quarter to hit in the range of US\$48-50 million.

## *Software*

- **Novell, a software company, disclosed that it has plans to boost its marketing efforts in China, a move brought about by what it saw as the increasing steady adoption of Linux and open-source systems by mainland enterprises.** The company, according to CCID Consulting, enhanced its position last year when it set up its R&D, technical support and training facilities in China. It stated also that Novell remains the leader in the Linux market on the mainland, with the company holding the top slot with its 25.2-percent market share. The company has strong linkages with mainland partners, which include China Standard Software Company, Huawei Technologies, ZTE, Neusoft and Skybility. Among its mainland customers are the People's Bank of China, the China Construction Bank, the Bank of Communications Shanghai Branch, and the China Meteorological Administration. In an earlier development, Novell also launched a Chinese-language version of its openSUSE project at [openSUSE.org.cn](http://openSUSE.org.cn). It is the first of the major global Linux distributors with a dedicated Chinese website. IDC said Linux revenue for the mainland, which was valued at about US\$11.8 million last year, up 27.1 percent from 2004. IDC looks to the mainland Linux market as posting a 34-percent growth to about 34 percent annually to 2010, when it would be worth US\$51.1 million.



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- **Analysys International, a leading Internet based provider of business information about technology, media and telecom (TMT) industries in China, disclosed that China's software outsourcing services market size reached 2.5 billion yuan (US\$311.7 million) in the first quarter of 2006, representing a 43.9-percent rise over the first quarter of 2005.** In terms of vendor ratings, Neusoft, Hisoft and SinoCom occupied the top three positions in the first quarter. HiSoft's market share climbed to No. 2 because of its acquisition of it Ensemble International and Teksen. Analysys International says China's software outsourcing market concentration is low. The top 10 software outsourcing service providers' market share accounted for only 19.2 percent of the market total in the first quarter. Industries including high-tech, consumer electronics, telecom and finance accounted for 95.4 percent of the market total. According to Analysys International, the high-tech industry is still the most important software outsourcing market in China, accounting for 59.8 percent of the market total, followed by consumer electronics, with 25.3 percent. Analysys International says Japan is still the biggest contracting market to China, accounting for 59.2 percent of China's software outsourcing market. Orders from Europe and the United States showed a slight increase in the first quarter, getting 22.5 percent of the total market share. Contracting orders from Hong Kong had 10.9 percent of the market share in China.
- **Ninetowns Digital World Trade Holdings Ltd. disclosed 53.1-percent decline in its net income for the first quarter of this year to US\$2.9 million, compared to US\$5.9 million in the first quarter of 2005.** The software company said its total net revenue registered a 23.9-percent drop to US\$6.1 million, compared to US\$7.7 million for the first quarter of 2005. Its operating income went down by 57 percent year on year to US\$2.4 million. Ninetowns stated that it looks to the first quarter of this year as a period of transition given the launching of the free software program from State Administration for Quality Supervision and Inspection and Quarantine of the People's Republic of China (the PRC Inspections Administration) in February.

## *Hardware*

- **Radio Frequency (RF) coaxial cable maker, Hengxin Technology Ltd. announced the launching of its IPO on the Singapore Stock Exchange (SGX) Main Board.** The IPO was approximately 13 times subscribed based on figures released a day before trading. Hengxin currently provides coaxial cables and services for the major State-owned telecom giants in China including China Unicom, China Mobile and China Telecom, as well as equipment manufacturers Huawei Technologies and ZTE Corp. The company said it currently accounts for more than one-third market share in China and looks to a huge boom in growth as the mobile penetration is low at 30.3 percent. Its closest competitor, Andrew Corp. from the U.S., accounts for a much smaller market share in China although the latter is almost ten times the size of Hengxin. A company official indicated that its customer relations management as a deciding factor for the company's edge over the MNC in the Chinese market. Analysts are saying that with the release of 3G licenses ahead of the 2008 Olympics, greater opportunities are in store for Hengxin as demand is expected to rise. The company said it is also looking to opportunities in developing countries, which do not yet have such factories and facilities for RF coaxial cables and where mobile penetration is only about 6 percent.
- **According to IDC, China's PC market will grow at 11.7 percent CAGR (compound annual growth rate) in the next five years.** The research firm indicated that sales of Chinese PCs reached 19 million in 2005, a figure that represents a 19.6-percent growth over 2004. Chinese PC sales also accounted for 46.2 percent of the whole Asia Pacific (excluding Japan) market. The report stated that laptops will continue to be the sector with the fastest growth and the CAGR of laptops is expected to

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reach 23.7 percent. IDC forecasts that Chinese PC sales will reach 32.9 million, making it No. 1 in the Asia Pacific market.

- **A senior company official of Sony said China is expected to become the second-largest market for the Japanese company's electronics division, with the figures overtaking sales from the company's home market in Japan.** Analysts see this development as stressing the shift in the economic power now happening in Asia. China is currently Sony's third-largest market, behind the U.S. and Japan. Sony considers China as a strategic market, given its size and growth, with the Japanese company trying to build itself as the top brand from the perception of the Chinese. Already, the company has invested heavily in Chinese manufacturing plants and R&D facilities, and the majority of its employees are locals.
- **China's printer market in the first quarter this year registered an 8.3-percent decline quarter on quarter to 3 billion yuan (US\$374 million), according to Analysys International.** The research firm said Hewlett-Packard leads the laser printer market in China with a market share of 29.8 percent. Epson leads the stylus and inkjet printer market, with the company gaining about 21.9 percent of the total market. Canon and Lenovo were at No. 3 and 4, respectively. The report noted a slight drop in the price of mainstream laser printers in the first quarter as more industrial users chose laser printer products when purchasing new printers.

## *Semiconductor*

- **Galaxy Semi-Conductor Holdings, a semiconductor producer in mainland China, revealed its plans to raise HK\$70 million (US\$9 million) to HK\$100 (US\$12.8 million) by way of an IPO in the Hong Kong exchange next month.** The company said the funds raised from the IPO would be used to extend production lines in order to cope with increasing demand of semiconductors. Galaxy said it plans to spend some 90 percent of the proceeds from the IPO to purchase land in Jiangsu province to build a new factory. The remaining cash will be used as operating capital. Established in 1994, Galaxy currently has an 85-percent share in the mainland semi-conductor market, and serves many manufacturers such as TCL, Hisense and Konka.

## *Telecommunications*

- **China Netcom Group Corp (Hong Kong) Ltd. said that it is currently in talks to sell its subsidiary Asia Netcom.** The company's top official was quoted saying that selling Asia Netcom was one of the options that the company had in order to lower its operating cost. The statement identified as a frontrunner in the acquisition of Asia Netcom, General Enterprise Management Services (GEMS), a group led by the former head of conglomerate Hutchison Whampoa, Simon Murray. GEMS is said to be shelling out HK\$2.7 billion (US\$348 million) for Asia Netcom. Asia Netcom primarily operates undersea phone cables. China Netcom is one of Mainland's fixed-line telephone companies.

## **Taiwan**

### *Internet*

- **Soft-World International, an online game producer and service provider in Taiwan, introduced its first free online game Ghost developed by South Korea-based NNG, for launch in the Taiwan market, with open beta test (OB) expected to begin late next month for 60 days.** The company said Ghost would be operated by Game Flier International, Soft-World's wholly owned subsidiary, for the markets in Taiwan, Hong Kong and Macao. The game is expected to attract 100,000 simultaneous players during the 60-day OB in Taiwan. This is the first game for Soft-World to enter the



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field of item mall online games, that is, free gaming services with revenue coming from sales of virtual items in the game. Soft-World said Game Flier will focus its business operations on free online gamer services this year. Ghost is an RPG (role-playing game). In a separate development, Soft-World said it has invested NT\$80 million (US\$2.5 million) in its international R&D team to develop Xbox 360 games, with PC versions to be available at the end of this year and a console version allowing 1,000 simultaneous players in mid-2007.

## *Hardware*

- **Toppoly Optoelectronics, the mobile device display unit of Compal Electronics, announced that it has received approval from the Taiwan government to invest US\$21 million in the Shanghai arm of a subsidiary it recently acquired from Philips Electronics.** Under the deal, Toppoly would hold a 100-percent stake after the investment. Toppoly is seen as investing over NT\$10 billion (US\$313.2 million) in high-value-added manufacturing technology in 2007-2009 in Taiwan. Upon completion of the merger, Toppoly is expected to increase its global market share in small panels to 10 percent, a move that will push it from No. 3 from its present position at No.12.

## *Semiconductors*

- **Taiwan Semiconductor Manufacturing Co (TSMC) announced the revamp it made in its board of directors, which saw the unanimous re-election of Morris Chang to the chairman post.** Re-elected, as vice-chairman was FC Tseng. In a separate development, the company said its board has approved the capital allocation of US\$966.3 million for the expansion of the company's Fab 14 facility. The company said the expansion is expected to boost its capacity for 65 and 90-nanometer production. TSMC said it is setting aside further US\$242.1 million in order to expand the capacity of its six- and eight-inch wafer fabs. In a separate report, the company predicted its capital expenditure for this year to be from US\$2.6 billion to US\$2.8 billion.
- **ProMOS Technologies announced that it is scheduled to start building a new 12-inch-wafer fabrication plant valued at some US\$2.5 billion.** The company said the construction of the new 12-inch-wafer plant in the country's central science park would be in June or July, with an outlay of US\$2.2 to US\$2.5 billion and monthly capacity of 40,000 wafers. The plant is the third for the manufacturer of DRAM (dynamic random access memory) he said. ProMOS said it is set to upgrade its eight-inch-wafer fab in northern Taiwan to a 12-inch facility, even as it waits for government approval of its 2004 application to relocate machinery to a yet-to-be-built plant in the mainland.

## **Hong Kong**

### *Telecommunications*

- **Hutchison Telecommunications International Ltd (HTIL) announced that its first-quarter net loss narrowed to HK\$24 million (US\$3 million) from some HK\$100 million (US\$12.8 million) a year ago, with the company ascribing the results to the growth its number of subscribers from its two biggest markets, India and Israel.** The company explained that the growth more than offset lower per customer spending. HTIL said, for the first three months this year, its subscriber base went up from 4.1 million to 21.1 million, a figure that represented its largest three-month gain since the company was spun off by its parent in October 2004. The company said a part of this growth could be attributed to the 1.6 million Indian subscribers that came with its acquisition of BPL Mobile Cellular. Hutchison bought both BPL Mobile Cellular and BPL Mobile Communications in a deal valued at US\$1.1 billion last year in a deal that saw its license areas grow to cover 16 of the country's 23. A

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company official disclosed that HTIL still planned to sell shares in its 61.2 percent- owned Indian unit, Hutchison Essar, on the Mumbai stock exchange by the end of this year.

## *Mobile/Wireless*

- **PCCW Mobile, one of the brands under Hong Kong-listed PCCW, announced that it is set to receive a license for mobile TV from telecom vendor Huawei Technologies, with its Cell Multimedia Broadcast (CMB).** The new mobile technology is expected to compete with existing standards such as Digital Video Broadcasting Handheld (DVB-H) in the U.S. and Europe. CMB requires only a network upgrade, which means that its CMB technology would cost less to use than DVB-H, which requires a new slice of spectrum. The service is expected to be available for trial in Hong Kong by the end of this month.

## *Hardware*

- **Nam Tai Electronics posted a 9.4-percent decline in its net profits for the first quarter to US\$12.5 million; compared to the US\$13.8 million it reported in 2005.** The Hong Kong based company said its revenues for the quarter went up by 33 percent to US\$208.4 million from US\$157 million year-on-year. Nam Tai said it continued to outperform its industry peers by achieving industry leading gross profit margins of 10.1 percent and operating profit margins of 6.0 percent in the first quarter of 2006. The company attributed its first-quarter results to growth in its high-tech subassemblies of telecom products and the restructuring of its Hong Kong operations in 2005. Nam Tai manufactures electronic parts.

## **Singapore/Malaysia/Philippines/Indonesia**

### *Telecommunications*

- **Telekom Malaysia, the country's largest telecommunications provider, announced a 34-percent rise in its first-quarter profit to 518.9 million ringgit (US\$143.7).** The figure includes gains from its Indonesian mobile subsidiary Excelcomindo Pratama, which the company said contributed most of the increases in its mobile segment. The company posted an 11-percent gain in its revenue to 3.8 billion ringgit (US\$1 billion). Telekom Malaysia holds a 56.9-percent stake in Excelcomindo. Telekom Malaysia said the domestic mobile business would remain still competitive even as it would focus on improving revenue through better product offerings for both voice and data services. The company looks to overseas operations as an important area as it aims to boost its South Asian presence, with presence in Sri Lanka and Bangladesh.

### *Mobile/Wireless*

- **Telogic and New England's BCGI announced their alliance to jointly market payment and access control solutions tailored to wireless-phone operators in Southeast Asia.** Under the partnership, Singapore-based Telogic will sell BCGI's Payment Manager and Mobile Guardian to underserved markets in China, Thailand, Malaysia, and Indonesia. The products are seen as allowing both mobile and Mobile Virtual Network Operators to increase their customer offerings with minimal addition to their overhead. Telogic is a premier solutions enabler for the telecom industry with its open and flexible telecoms network management solution and mobile value added solutions suites. BCGI delivers innovative products and services that enable mobile operators and MVNOs worldwide to differentiate their offerings and increase market penetration while reducing costs.

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## United States/Canada

### *Internet*

- **AOL announced its acquisition of Lightningcast, a company that specializes in putting ads into video as well as audio clips.** Analysts see the acquisition as AOL's valuation of online video and how it will attract visitors to its ad-supported web sites. The Lightningcast technology is seen as enabling AOL to run targeted ads within video. With the technology, AOL would be able to change ads periodically without replacing the whole video file. The technology, already in use by AOL since 2002, works with live, on-demand streaming and downloaded video. The acquisition is seen also as helping integrate AOL's sales and operations with Advertising.com, an online ad business it purchased in 2004. Financial terms of the deal were not revealed.

### *Media, Entertainment and Gaming*

- **Napster reported its fourth-quarter loss down to US\$4.4 million from a loss of US\$24.3 million in 2005.** The company ascribed the results to the strong growth of its online music service. The company said its revenue posted a 54-percent growth to US\$26.8 million from US\$17.4 million previously. The company noted a substantial demand for music subscription services and the Napster brand. Napster said that for the quarter it saw a paid subscriber base of 606,000, including 59,000 subscribers at universities. Excluding the university subscribers, the company said its premium subscriber base registered a 16- percent increase from the third quarter and 54 percent from the fourth-quarter last year. Revenue from monthly subscription fees and downloads purchased by paid and trial members of the service accounted for about 86 percent of the company's music revenue during the quarter. Napster said it posted a net loss of US\$54.9 million for the fiscal year, compared to a loss of US\$29.5 million during the previous year. Its total net revenue grew to US\$94.7 million from US\$46.7 million last year, with the company ending the period with US\$104.2 million in cash, cash equivalents, foreign currency conversion in-transit and short-term investments. Napster forecasts its revenue to go up to between US\$25 million and US\$28 million during the first quarter.

### *Software*

- **Symantec, a security software maker, disclosed that it filed a federal lawsuit against Microsoft for the misappropriation of its intellectual property and breach of contract.** The complaint demanded that Microsoft stop selling the next version of its Windows operating system, due out to consumers next year, until the technology was removed. At the center of the dispute is the technology that allows operating systems to handle large amounts of data. Symantec acquired the technology when it took over Veritas Software in 2005. Veritas and Microsoft had signed a licensing agreement but Symantec claims the terms were violated. Symantec is the maker of the Norton software used to protect computers from Internet attacks and has traditionally been a Microsoft partner. But Microsoft is preparing to release its own Internet security products, which transforms it into Symantec's direct rival.

### *Hardware*

- **Dell announced that it would start using microprocessors from Advanced Micro Devices in some of its high-end servers.** This announcement caused the shares of Dell, considered the world's largest PC maker, to go up even as it reported an 18-percent drop in quarterly profit. The AMD announcement, however, overshadowed Dell's results, which missed Wall Street's expectations. The company disclosed its earnings as hitting US\$762 million in the three months to May 5, compared with US\$934 million in the year-earlier period. Dell said its first-quarter sales posted a 6-percent rise to

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US\$14 billion. It had previously forecasted revenue of US\$14.2 billion to US\$14.6 billion. Two research firms – IDC Research and Gartner – disclosed that Dell's shipments from January to March registered a 10-percent growth, against the industry-wide sales growth of 13 percent. HP, Dell's rival, posted a 22-percent growth in shipments. Gartner said Dell's computer shipments declined to 16.5 percent in the first quarter of this year from 16.9 percent a year ago. Though Dell shipped 10.2 percent more PCs than it did last year's first quarter, Gartner said the growth rate was Dell's slowest since the third quarter of 2001. The company ascribed to its desktop PC some 40 percent of its revenue.

## Europe

### *Mobile/Wireless*

- **Nokia revealed that it is integrating the Google Talk application to a Nokia handheld Internet browsing device.** Analysts see this as a move that could help strengthen Nokia's entry presence in mobile communications. The company said it is preparing to announce the upgraded version of its Internet Tablet device will come ready loaded with Google's Talk service. Under the offering, users can have voice conversations and exchange instant messages. The device uses the WiFi technology rather than mobile phone networks. Nokia prices the device at about 300 euros (US\$383). The company said it is talking to other companies in a bid to put their Internet communication software into their devices.
- **Alcatel announced this week that it was chosen by Naya Tel of Pakistan to supply the region's first fiber-to-the-home (FTTH) system to deliver high bandwidth triple-play services to over 30,000 subscribers in the capital city of Islamabad.** Naya Tel is an alternate service provider. With Alcatel's system in place, the provider will be able to offer voice, video and data services. Naya Tel is deploying the Alcatel 7340 Fiber-to-the-user (FTTU) system, along with the Alcatel 5020 Softswitch. The system is based on passive optical network (PON) technology. The Alcatel 5020 Softswitch, a key component of Alcatel's IP multimedia subsystem (IMS) system, enables service providers to target a broadband installed base with multimedia services. Earlier, Alcatel announced the signing of a contract on its GSM expansion with Unitel, a mobile operator in Angola and the sole GSM operator in the country. The new contract is reportedly valued at 41.5 million euros (US\$53 million). The move is expected to enable Unitel to increase the capacity and coverage of its GSM network across the country, a move that will give people access to areas underserved by mobile communications.

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