

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



Week of 28 November - 4 December, 2004

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International

Information Technology

- **The IT industry will suffer a period of “enormous turbulence” next year, marked by seismic technological shifts and vendor consolidation as firms including Microsoft look to make major acquisitions.** Analyst firm IDC has predicted that the industry will face a “technological realignment” in 2005. According to IDC, companies in the US\$100 billion application market will move away from attempts to develop the ‘killer app’. Instead, applications software vendors like SAP, Oracle and PeopleSoft, and middleware vendors including IBM and BEA, will continue jockeying to define and own “the killer application platforms”. The report said that systems vendors including IBM, HP, Sun and EMC will continue to buy up companies, large and small, to fill out their software portfolios and create complete infrastructure platforms. Likewise, independent infrastructure software players like Microsoft, CA and Novell are expected to spend 2005 expanding their offerings through mergers, acquisitions and alliances. In the hardware side of the enterprise IT market, commoditisation with downward pricing pressure will continue to squeeze suppliers. The analyst said that its prediction of moderate six percent growth in the worldwide growth in IT spending assumes improving IT growth in the U.S., modest improvement in Western Europe, strong growth in the emerging IT economies of Central and Eastern Europe, China and India, and growth struggles in Japan and Latin America.

Mobile/Wireless

- **Global mobile phone sales surpassed 167 million units in the third quarter of 2004, representing a 26 percent increase from the same period in 2003, according to research from Gartner.** Historically, the third quarter is seldom strong, the report said. The availability of new handset models and decreasing prices fuelled replacement sales in mature markets such as Western Europe and North America. Market leader Nokia regained ground and raised its market share above 30 percent after two consecutive quarters of declining market share. Samsung enjoyed a very strong quarter and overtook Motorola to become the second biggest mobile terminal vendor worldwide. Motorola slipped to third position but remained the market leader in North America, boosted by the strength of the Integrated Digital Enhanced Network market. Siemens recovered from a slip in the second quarter and grew its market share to 7.6 percent. The company surprised the market with a particularly good quarter in the Americas, nearly doubling its market share in North America. LG Electronics had a positive quarter and regained fifth place from Sony Ericsson.

Japan

Internet

- **Elsevier Japan KK, the local arm of Holland’s Elsevier B.V., is adding more functions to the Japanese version of Scopus, an Internet-based research service that boasts a huge database of scientific literature abstracts.** Elsevier Japan began operations in November. The company is adding a function to Scopus that will allow users in Japan to analyze citation trends by simply entering a person’s name and the name of an academic institute or company. The search results show the number of citations each year, and can also show abstracts of the articles in which the citations were made. By broadening the offerings of the Scopus service, Elsevier Japan aims to promote sales not only among

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universities and research institutes, but also among companies, which can use Scopus to track R&D trends.

- **KDDI Corp., in a tie-up with Excite Japan Co., plans to launch by March 2005 an Internet service enabling users of KDDI's "au" cellular phone services to access similar content via personal computers.** Almost all services available to au cell phone users, such as game services, will be available online for PCs. KDDI expects the venture to help expand the number of customers using au's Net services from the current 17 million. KDDI and Excite will establish a joint venture to operate the planned website. To be capitalized at 490 million yen (US\$5 million), the venture will be owned 61.5 percent by KDDI, 33.5 percent by Excite and 5.0 percent by Mediba, a KDDI affiliate.
- **The six major Internet advertisement planning and sales companies enjoyed brisk business expansions around this summer.** Cyber Agent Ltd. saw its group sales rise 66 percent on the year to 7.8 billion yen (US\$764 million) and pretax profit surge 70 percent to 416 million yen (US\$4 million) in the July-September quarter. The leading independent net ad firm sharply boosted its web-search-linked ad and cellular phone ad services, as well as its e-commerce businesses. Cyber Communications Inc. increased sales by 59 percent to 5.1 billion yen (US\$50 million) and pretax profit by 75 percent to 168 million yen (US\$1.6 million). The company benefited from higher banner ad sales and increased beverage-related advertising during the unusually hot summer. Septeni Co., the second-largest independent ad company, raised its sales by 35 percent to 3.1 billion yen (US\$30.3 million) and its pretax profit by 71 percent to 202 million yen (US\$2 million), thanks partly to growth of its content distribution and other non-ad related services. Opt Inc. sharply lifted sales by 120 percent to 2.3 billion yen (US\$22.5 million). Magclick Inc.'s sales grew by 74 percent to 1.9 billion yen (US\$18.6 million), and its pretax profit by 21 percent to 70 million yen (US\$685,837). D.A. Consortium Inc.'s sales were up 29 percent to 3.5 billion yen (US\$34.2 million) in the June-August period and its pretax profit rose 22 percent to 119 million yen (US\$1.1 million). The firm whose shareholders include Hakuodo DY Media Partners Inc., succeeded in persuading automobile and beverage makers to try net ads.

Software

- **IBM Japan will begin to sell software packages in December that combine the use of Internet protocol telephony with information systems such as groupware and customer relationship management (CRM) systems.** The software called "IP Communication Framework" enables voice and other modes of communication to improve work efficiency and can be used in conjunction with instant messaging and teleconferencing. IBM Japan also intends to step up assistance, including training of sales staff, to agents that market its IP telephony products to smaller companies.
- **Cyber Solution Inc. has jointly developed with Symantec Japan Inc., a system to let companies efficiently manage and operate anti-virus software.** The system is for businesses that use Symantec anti-virus software products. The sales target for the first year is 300 million yen (US\$2.9 million). With the new service, system monitoring software developed by ditCo. is installed on a customer's server, and information on updates and the like is periodically sent to Cyber Solution. As part of the service, Omron Field Engineering Co. will provide virus elimination and system recovery services should infections occur. The usage fee for 1,000 to 1,999 computers is 2,700 yen (US\$26.4) per machine per year.
- **Altech ADS Co., wholly owned subsidiary of industrial machinery trader Altech Co., will partner with U.S. firm Visage in the development and sale of facial identification system.** The company intends to promote the software to government agencies and banks to check identities of

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bearers of passports and drivers' licenses as well as depositors, among others. The first machine, which is expected to be completed in autumn next year, will also be sold in the U.S. and other Asian countries. The Altech group began dealing in security-related products in 2001. Visage's verification systems are known for their reliability, but they have been sold mainly in the U.S. The company aims to use the deal with Altech as a springboard for expanding its business into Asia.

Hardware

- **Four major U.S. movie studios will give their support to the next-generation DVD format being promoted by Toshiba Corp, the Japanese electronics maker said.** The four are Paramount Pictures Corp., Universal Studios, Time Warner Inc.'s Warner Bros. and New Line Cinema. Toshiba said that it will target annual HD DVD-related sales of 5 billion yen (US\$48.8 million in 2005, though it expects that to climb to 300 billion yen (US\$2.9 billion) in 2010. The support of the four Hollywood studios will be a big boost for Toshiba and NEC Corp., which are promoting the HD-DVD format that they jointly developed. On the other hand, it may be a blow to the group promoting the rival Blu-ray Disc next-generation DVD format. The group includes Sony Corp. and Matsushita Electric Industrial Co.

Mobile/Wireless

- **The Ministry of Internal Affairs and Communications and mobile phone carriers said they would adopt tighter identification requirements for owning prepaid mobile phones in a bid to prevent their usage in crimes.** The measure, to be introduced around next spring, will require users to register themselves as owners, making it impossible to use handsets unless they are registered within a certain period, the ministry and the carriers said. Owners of handsets that are suspected to have been used in crime cases will be obliged to register their machines starting in December, the report said, adding the use of those handsets will be suspended without registration within a fixed period.
- **NTT DoCoMo hopes that the cellular phone Internet connection services based on its proprietary i-mode service will attract around 60 million users in Europe.** The company said that the foundation for developing i-mode based services in major European countries has been laid now that the company has signed a business cooperation agreement with mm02 Plc of the U.K. Seizing on the scheduled expansion of 3G cellular services in Europe next year and beyond, DoCoMo and partners will be able to collectively buy common handsets in a volume comparable to that of Vodafone Group Plc and bring down procurement costs. As of June, i-mode and its various incarnations had a total of some 3 million subscribers outside Japan. DoCoMo is eyeing further expanding its reach – mostly through tie-ups in Eastern Europe and Scandinavia, as well as major markets, such as China and the U.S.

Semiconductors

- **Some market participants are criticizing as overly expedient the decision by NEC Corp. to turn two listed subsidiaries – NEC Soft Ltd. and NEC SystemTechnologies Ltd. – into wholly owned units by next June through a tender offer.** The major electronics company said the move is designed to enhance the competitiveness of the group's software development and system integration service. NEC was listed in 2000, while NEC System Technologies went public only last year. NEC plans to spend 83.5 billion yen (US\$818.1 million) to buy shares in the two subsidiaries through a tender offer next June and delist them. Market traders see the step as having only a limited impact on NEC's group net profit, with the cost cutting resulting from the business integration giving another 15

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billion yen (US\$147 million) boost to the bottom line. The company earned about 90 billion yen (US\$882 million) from the sale of its shareholdings in the two firms when they listed.

Telecommunications

- **KDDI Corp. said that it would launch FFTH (fiber-to-the-home) broadband services.** Through the new fiber optics which will be available to homeowners and residents of small multiunit housing buildings, the telecommunications firm will not only provide Internet access but telephone service and video distribution as well. Customers subscribing to the phone service will be able to keep their current numbers. The monthly fee for the new FFTH service with only Internet access will be 6,720 yen (US\$66). Adding the phone service will raise the fee to 7,245 yen (US\$71), and the all-inclusive offering with video distribution will cost 9,765 yen (US\$95.6). The service will initially be available only in the greater Tokyo area, but the company intends to expand it to other areas in the future.
- **Telephone carrier Heisei Denden said it has filed a suit against Softbank Corp. and its unit Japan Telecom Co., seeking to stop the Softbank group firms from embarking on a discount fixed-line phone business.** Heisei Denden said Softbank decided to start such services based on information it obtained from the carrier while it was in talks on acquiring Heisei Denden earlier this year. The carrier said it provided information on fixed-line services in started in 2003 to Softbank after concluding a contract to keep the information confidential. Softbank and Japan Telecom said they never utilized Heisei Denden's information in entering the new fixed-line business.

Information Technology

- **Sony Corp. has agreed to pay US\$40 million to Ampex Corp. to settle a lawsuit filed by the U.S. visual information technology company over patent infringement on its digital camera-related technology.** In exchange for the payment, Sony will be permitted to manufacture and sell various products, including digital videotape recorders and digital still cameras under several Ampex Patents through April 2006, Ampex said. Ampex said it would withdraw the lawsuit. Sony described the settlement as an appropriate solution to the patent case. Ampex said it is also likely to reach patent license agreements with other digital still camera manufacturers such as Eastman Kodak Co. within the next 90 days.

Korea

Mobile/Wireless

- **According to a research firm, more South Korean companies will enter handset TFT driver-IC market in 2005.** LCD-driver-IC design firms MagnaChip Semiconductor, Tomato LSI, Pixelchips and Syncfoam will ramp up the competition in the handset-user TFT driver-IC market next year, according to the Advanced Packaging Technology Center of Taiwan's Industrial Technology Research Institute (ITRI). Samsung Electronics and MagnaChip, both specializing in TFT driver ICs for large LCD panels, have begun developing small-to-medium size products. Samsung announced its first TFT driver IC with VGA-resolution for mobile phones in October, whereas MagnaChip has already launched three types of TFT driver ICS for small applications like mobile phones, game consoles and PDAs.
- **Samsung Electronics overtook Motorola as the world's second-biggest mobile phone maker in the third quarter as the market continued to boom, according to a survey by Gartner.** Samsung

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has sold 22.9 million phones to consumers giving it a 13.8 percent market share, compared with sales of 22.4 million cell phones by Motorola, which was 13.4 percent of the market. Gartner, one of the top market researchers in the mobile phone industry, was forced to publish its quarterly statistics a day earlier than planned after the leak of key numbers by industry sources. Samsung advanced from 12.1 percent in the second quarter, as consumers continued to snap up its fold-away models with integrated cameras and other advanced features. It also entered the mass market with cheap phones in growing markets like China.

Internet

- **Fixed-line telephone carrier KT Corp. and mobile phone operator SK Telecom joined Hanarotelecom Inc. in the licensing race for the upcoming portable Internet business.** KT, the former state telecom monopoly which 94.2 percent of the local fixed market and 51 percent of the broadband Internet service market, submitted a draft plan for the portable Internet business to the Ministry of Information and Communication, saying it plans for commercial launch in April 2006. SK Telecom, the largest mobile-phone operator with a 51.4 percent market share, said it would submit its application to the Ministry. The portable Internet, dubbed WiBro (wireless broadband) is designed to offer better mobility than wireless LAN services and faster connection than the third-generation mobile-phone services. The government plans to allocate three licenses for WiBro. Companies which receive the highest ratings on their submitted draft plans will be given the first choice in selecting the frequency range they want to use. Licensing fees for the bandwidth use will alter between 117 billion won (US\$111.5 million) and 125.8 billion won (US\$120 million).

Media, Entertainment and Gaming

- **Blizzard Entertainment's Korean affiliate said the World of Warcraft, its latest offspring, broke the user record in less than a month after its official beta services began.** The company said WoW eclipsed the concurrent user record in the massively multiplayer online role-playing game (MMORPG), but declined to specify the number. Experts predict the figure of concurrent users would reach up to 160,000 in consideration of its 55 game servers, which outnumbers the most famous homegrown Lineage series.

China

Software

- **Red Flag Software is set to re-ignite the web browser wars in China as it strikes an alliance with Norwegian firm Opera Software.** The Beijing-based company, a large open-source systems supplier to the Chinese government and mainland industries, said its updated Red Flag Linux desktop operating system would support the Opera web browser. Opera's cross-platform browser technology has started to carve a niche in the web browser markets for handheld devices and desktop computers. It runs on Windows, Macintosh, Symbian and various open-source systems.
- **Chinese software developer Nine Towns' initial public offering (IPO) will list on NASDAQ.** The company, listing under the ticker "NINE", will issue US\$9.6 million in American depository shares (ADS) priced at between US\$10 and US\$12. JP Morgan is Nine Towns' underwriter.

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Internet

- **Sohu.com Inc., China's leading online media, communications, commerce and value-added services company, announced that it has repurchased 360,500 shares of common stock.** Sohu reports that, in the period of November 1-30, it has repurchased the shares at an average price per share of US\$16.99 for total consideration of US\$6.1 million. As a result of the stock buy-back, Sohu had, as of November 30, 2004, approximately 36.5 million shares of common stock outstanding, and there remained up to US\$13.8 million available for repurchases from time to time by SOHU. The company has built one of the most comprehensive matrixes of web properties in China. This network of web properties offers the vast Sohu user community the broadest possible choices regarding information, entertainment, communication and commerce.
- **Billed as China's largest online retailer of books, music and videos, Joyo.com Limited begun its first promotion after its acquisition by American online bookstore Amazon.com months ago.** During the promotion, also the largest in Joyo's history, the dotcom company is giving shoppers 600 gifts each day. In September, Amazon acquired Joyo for US\$75 million to make its debut in China. Both company have not denied the media report that Joyo will be renamed Amazon China.
- **Beginning in January 2005, Pegasus will provide Ctrip with direct access to inventory at nearly 60,000 hotels after the two companies announced the signing of a landmark electronic distribution agreement between them.** Under the agreement, Ctrip will have access to live inventory, rates and images from hotels in Pegasus' online distribution database. The electronic distribution services of Pegasus provide the core functionality in the search for a hotel property in any given city. PegsTour serves tour operators by automating key booking processes through an electronic interface that connects operators to various central reservation systems of hotels. The service assists distributors like Ctrip by providing a single set of hotel reservation messages that work with virtually any hotel chain.
- **IBM and China's fourth-largest carrier Hainan Airlines have launched online travel website www.loyoyo.com.** The website offers services similar to those of NASDAQ-listed Chinese online travel services companies Ctrip and eLong and offers booking for flights and hotels as well as vacation packages, car rental and travel information. Loyoyo has cooperative agreements with Xinhua Airlines, Chang'an Airlines, Yangtze River Express and Asia Business Aviation. Loyoyo plans to establish a chain of travel service stores with its partners.
- **Online travel service provider eLong purchased an 80 percent stake in Beijing Ray Time Business and Tourism Consulting Company.** Insiders say that negotiations lasted 11 months. Ray Time was founded in 1977 and specializes in hotel and lodging marketing and sales. The company joined China Famous Hotel Corporation, an organization of top Chinese hotels, in 2001, and is the only non-hotel member of the organization. Ray Time is also the only Chinese company in the industry with ISO900 certification. Ray Time's paid VIP cards cover over 40 five-star hotels and have 100,000 cardholders in China. eLong did not reveal how much it paid for the stake.
- **Mainland Internet media companies, which struck gold with mobile phone messaging services last year, are scrambling to diversify after a government clampdown on sex-related material and billing overhaul.** Some have found new lucrative veins in online games, advertising and search services as the companies seek to protect their revenues against clampdowns and reforms by Beijing. Although the shift is being greeted with guarded enthusiasm by investors, analysts warn that the government could also interfere with their new ventures. The industry's major players, including Sina

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Corp, Sohu.com, Netease.com, Tom Online and Linktone, have all suffered as a result of the clampdown on messaging – a business iResearch estimates will top US\$480 million in revenues this year. Phone companies keep a commission for each text message sent over a mobile phone, passing back most of the revenue to the Internet provider.

- **City Network's joint venture subsidiary, Beijing Putian Hexin, has now received certification from both local and national governments in China qualifying it to provide Internet broadband and networking equipment to numerous state-owned telecom companies.** City Network, through its subsidiary, has already successfully supplied more than 300,000 units of ADSL modems to China Telecom Co. and to China Network Communications Corp. since July 2003, which has generated over US\$7 million in total revenues. Beijing Putian Hexin has also shipped over 60,000 ADSL modems to Hainan Island Provincial Telecom Corporation this past year and has also secured orders from Hainan Telecom for 2005.

Mobile/Wireless

- **China Mobile subsidiary Henan Mobile announced that it has awarded a US\$200 million GSM network expansion contract to Nokia.** Nokia received its first contract from Henan Mobile in 1995; this contract is Nokia's ninth and largest network expansion contract from Henan Mobile. Equipment delivery has begun and the network expansion will be fully operational in the first half of 2005. Nokia is the sole GSM core network, GPRS and SMS equipment supplier for Henan Mobile.
- **Siemens will list all of its 45 Chinese joint ventures in China.** According to the company, all but one of these joint ventures are profitable and 40 percent of Siemens Information and Communications Group revenues will come from China in fiscal year 2004. A securities analyst said that one out of every ten foreign companies in China have plans or are making preparations to list in China, especially companies in the telecom and financial industries.
- **Siemens China announced that it has signed an agreement with Huawei for a joint venture in Beijing.** To be called TDTech, the new company is to develop, produce and sell 3G-based products. According to the agreement, the headquarters of TDTech will be in Beijing. The venture involves a total investment of US\$100 million. The firm is expected to provide its first batch of national 3G standard base station products by 2005.
- **Alcatel has been selected by China Netcom to deploy a 3G field trial network in Beijing area.** Alcatel's position in 3G in China is strengthened by this agreement, with the company having already successfully deployed a similar 3G network with China Telecom. Alcatel won this contract through Alcatel Shanghai Bell, Alcatel's flagship Chinese company. Upon completion of such a 3G pilot network, China Netcom will be able to test innovative high-quality voice, data and multi-media mobile services in true-to-life conditions in the capital. Alcatel Shanghai Bell has a close relationship with China Netcom, having provided a full range of broadband access and optical solutions for fixed telecom services.

Telecommunications

- **China's second largest telecom equipment maker ZTE Corp. priced its initial public offering at HK\$22 a share (US\$2.8), the top end of an indicative range, to raise the equivalent of US\$398 million, according to sponsor Goldman Sachs.** ZTE sold 141 million shares, or 15 percent of its enlarged share capital. It set an indicative price range of HK\$17.5 (US\$2.2) to HK\$22 (US\$2.8) a share. ZTE has an over allotment option to issue around 19 million additional shares, or 13.5 percent of the

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shares on offer. Sources familiar with the deal said the retail tranche of ZTE's IPO was 250 times covered. The company had planned to sell 10 percent of its IPO shares to Hong Kong retail investors and the remainder to institutional investors. ZTE is the first Chinese-listed company to seek an overseas listing in Hong Kong.

Media, Entertainment and Gaming

- **With massive multiplayer online role-playing games already a big success on the mainland, providers of online casual games such as poker, mahjong and chess are looking forward to their heyday.** According to Chinalabs, a leading Internet research company in China, while it is true that online role-playing games are making much more profit than online casual games, the latter have greater room for development. The research company said that role-playing games were mainly played by people under 25, thus missing other age groups. There are already several leading online casual game operators in the market. Beijing-based Ourgame.com, the world's biggest online casual games operator, offers more than 50 games to its subscriber base of 170 million, with concurrent online users reaching 700,000.
- **Shanghai Holdfast Online Information Technology Co., Ltd. will launch the company's first self-developed MMORPG.** Shanda acquired a minority stake in Holdfast, known as Haofang in Chinese, and it has also signed an agreement to expand its stake in Holdfast to a majority share in 2006. Holdfast currently operates China's largest online PC gaming platform. The first self-developed MMORPG of the company will start internal testing in January and the game will be launched in 2005. Holdfast's new game, however, has yet to be named.
- **Internet cafes are starting to complain in local Chinese media about Shanda's monopolistic online game practices.** Many of these cafes were quoted to have said that they would block their users from using Shanda's software to games. On the Internet, some of these cafes have posted declarations pointing to "Shanda's unequal cooperative contractual terms". According to reports, Shanda has launched a public relations offensive with a nationwide "Shanda Winter Network Administrator Care Plan" in an attempt to assuage the Internet cafes through technical upgrades and gifts.
- **Junnet and Federal Soft, online game prepaid card giants, lost out in the First Middle Court of Beijing after the court ruled that Junnet lacked an electronic products publishing operation license, making a sales contract it had with Federal Soft void.** Junnet was ordered to return a 3 million yuan (US\$362,493) deposit to Federal Soft, while Federal Soft was told to return 1.4 million yuan (US\$169,163) worth of "Shadow Bane" customer-disks, pre-paid cards and virtual cards to Junnet. In February 2003, Federal Soft, Junnet and Matrix Interactive Software Technology signed the contract in question.
- **Dima, a specialized automobile manufacturer, plans to enter the domestic digital TV and entertainment market.** Dima has already acquired a 37 percent stake in Sichuan Broadcasting and Television Network Corporation for 152 million yuan (US\$18.3 million). The company also acquired an 80 percent stake in DoyenInfo, which mainly deals with sales of digital TV decoders and set top boxes. Sichuan Broadcasting and Television Network is an important broadcaster, with nearly 1.5 million users.
- **Kongzhong, a company that provides Chinese mobile users games and entertainment via wireless handsets, announced that it has signed agreements to license music from five record**

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companies. Under the agreement, Kongzhong will be able to use music from EMI in the company's color ring back tone (CRBT) service and music from Sony/ATV, Warner/Chappell, BMG and Universal in the company's CRBT, song dedication, song listening, mobile karaoke, true tone ringtone, and music video streaming and download services.

- **Formally released by the China Youth Network Association was a new Chinese gaming rating system.** The system is called the "Green Games Recommendation Standard" and is similar to ratings for movies. Under this system, game software will be divided into five levels: player of all ages; junior high school level; senior high school level; 18 years and over level; and a dangerous level. The levels will be defined further on a 12-category system. The categories are violence, eroticism, terror, social ethics, cultural content, PK (People Killing) behaviors in the game, illegal conduct, cleanliness and civility of the text in the game, social order within the game, images, time limit and social responsibilities. China Youth Network will authenticate the games for free in accordance with the above standards before recommending them to players of appropriate ages.
- **The9, the mainland's second-biggest online game operator, plans to raise as much as US\$107.8 million through a NASDAQ listing, hoping to replicate the initial public offering success of rival Shanda Interactive Entertainment.** The9 is selling 6.3 million American depositary shares (ADS) at an indicative price of US\$13 each in a deal managed by lead underwriter Bear Stearns and co-underwriter CLSA/CIBC World Markets. The offering includes 850,000 of the shares and will be sold by existing shareholders, according to its filing with the United States Securities and Exchange Commission. The company will use the net proceeds of about US\$68.2 million –based on an initial offering price of US\$14 per ADS – to fund capital expenditures, expand sales and marketing efforts, and license or acquire new online games. The9's joint venture with Korean game developer Webzen generated US\$10.7 million in revenues for the first six months of 2004.
- **Shanda announced that it has entered into an agreement to purchase approximately 29 percent of Korea's Actoz Soft Company.** Actoz is a developer, operator and publisher of online games. The all cash purchase transaction from shareholder of Actoz is worth approximately US\$91.7 million. The transaction will solidify an alliance between one of the largest operators of online games in China and a leading supplier of online game content to the China market. Actoz owns 50 percent of the copyright for the "The Legend of Mir", which is the most popular online game in China according to users surveyed in late 2003 by International Data Center.

Taiwan

Mobile/Wireless

- **Dbtel Technology and Hyundai Mobile, a handset-manufacturing unit of the South Korea-based Hyundai Group, recently began cooperation on a handset-label deal, according to sources at Dbtel.** In addition to Hyundai Mobile, the Taiwan-based handset maker is currently in talks with several handset vendors about OEM partnerships, the sources indicated. In related news, Ares Communications, a wholly owned subsidiary of Dbtel, may work with Japan-based Panasonic Mobile Communications on mobile phones that will use handset Ics from Infineon Technologies.

Media, Entertainment and Gaming

- **Gigamedia Limited announced third quarter 2004 consolidated net profit of US\$688,000, a 23 percent sequential increase over the second quarter of 2004 and a turnaround of US\$3.4 million**

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from a consolidated net loss of US\$2.7 million in the same period in 2003. According to the company, the results demonstrate that the restructuring plan initiated by them is beginning to deliver results. The company is a diversified provider of broadband and entertainment services. It operates Taiwan's largest music store chains, Rose Records and Tachung Records.

Hong Kong

Mobile/Wireless

- **SmarTone Telecommunications Holdings said its third-generation mobile strategy would focus equally on the business and consumer mobile segments.** SmarTone's 3G strategy differs from that of Hong Kong's first 3G operator, Hutchison Telecom, which targeted ordinary consumers at launch with tariffs similar to those of 2G. The company heavily subsidized its mobile handsets and locked in customers with contracts that lasted as long as 18 months. SmarTone launched its first 3G mobile product – a personal computer data card made by mainland telecommunications equipment vendor Huawei. According to the company, one purpose of launching 3G data cards first is to test the network. SmarTone's computer data cards, which can roam on both 3G and the 2.5G networks, cost as much as HK\$4,380 (US\$563.4).

Telecommunications

- **PCCW Ltd., the city's dominant fixed-line operator, has raised HK\$1.1 billion (US\$141.5 million) by selling 450 million shares in Pacific Century Premium Developments Ltd., or PCPD, at HK\$2.48 apiece.** After the sale, PCCW's holding in PCPD will fall to about 51 percent from 74.9 percent, the source said. The placement comes after the benchmark Hang Seng index tested its 44-month high in the month, and as the city's property market rebounds after the 1997 financial crisis.

Singapore/Malaysia/Philippines/Indonesia

Internet

- **Singapore Airlines (SIA) and Connexion by Boeing announced the signing of a definitive service agreement for the installation of high-speed, in-flight Internet service on the carrier's long haul.** This agreement positions SIA, the world's leading commercial airline, as one of the first carriers to offer real-time broadband service for its passengers. SIA will achieve another world's first in 2005 when it brings live international TV on board, beamed through Connexion by Boeing to the passengers' laptops.

Telecommunications

- **Singapore Telecommunications Limited (SingTel) announced that it has maintained its Leader quadrant position in the Gartner Inc.'s Magic Quadrant for network service providers.** Gartner's Magic Quadrant assesses the ability of these providers based on their completeness of vision and ability to execute. SingTel scored high on both attributes and maintained its leadership position for the second consecutive year. According to company, SingTel's recent customer wins – such as BMW, Decathlon and Schenker – show that MNCs, when coming into Asia, can be confident of finding a reliable Asian telco in SingTel.

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United States/Canada

Internet

- **Juniper Networks was shopping around for new acquisitions and had up to US\$1.5 billion to spend, a company official said.** The official has been quoted as saying that the company is presently exploring the market in almost all directions. Juniper finalized in mid-April the purchase of network security software maker Netscreen for around US\$3.8 billion. It is positioning itself as a rival to the biggest Internet equipment provider, Cisco Systems. Juniper's main activity is the manufacture of routers that direct Internet traffic across data networks.

Semiconductors

- **World's No. 1 chipmaker Intel offered some upbeat news for the tech sector when it lifted its revenue outlook for the fourth quarter to between US\$9.3 billion and US\$9.5 billion.** The forecast marks a sharp increase from earlier guidance of between US\$8.6 billion and US\$9.5 billion. Intel's mid-quarter update had been widely anticipated because it provides a glimpse of the overall high-tech industry. Its forecast was well ahead of the average analyst prediction of US\$8.9 billion. The company said gross profit margins will be in the range of 55 per cent to 57 percent, unchanged from the 56 percent in its prior guidance.

Hardware

- **International Business Machines (IBM) has put its computer business up for sale, according to sources close to negotiations.** The sale, likely to be in the US\$1 billion to US\$2 billion range, is expected to include the entire range of desktop, laptop and notebook computers made by IBM. The company was in serious discussion with Lenovo, China's largest maker of personal computers, and at least one other potential buyer for the unit. IBM declined to comment. The PC business represents about 12 percent of IBM's annual revenues of US\$92 billion. In the latest quarter, IBM ranked third in worldwide PC sales with 5.6 percent of the market, according to the Gartner research report.

Europe

Software

- **BT (British Telecom) has promised to accelerate its rollout of Internet-based services for small businesses after sealing an alliance with Microsoft.** Under the terms of the US\$7 million deal, Microsoft will provide the telco with software and service packages, including BizTalkServer 2004, designed to provide enhanced connectivity and to streamline operational and billing processes. BT will use this software framework to roll out e-mail, shared calendar and contacts and other software applications to small and medium-sized firms.
- **The world's largest steel manufacturer, Arcelor, will obtain up to 40 percent of its raw materials and related services using online purchasing technology.** The company will roll out e-sourcing software buying departments in 60 countries next year, following successful trials which have seen the company halve the time it takes to assess and select supply chain partners. The firm also expects to make significant cost savings by using the Ariba Sourcing product to simplify selection of companies that supply raw materials for the 40.2 million tons of steel it ships each year.

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