

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



Week of 16 January - 22 January, 2005

Table of Contents

International	2
Japan	2
Korea	4
China	5
Taiwan	7
Hong Kong	7
Singapore/Malaysia/Philippines/Indonesia	8
United States/Canada	9
Europe	10

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



Week of 16 January - 22 January, 2005

International

Internet

- **According to a new study, Microsoft's share of the browser market has continued to go down.** The study made by WebSideStory indicates that there is a continued movement for users to opt for alternatives to Internet Explorer (IE). Figure shows that, between December and January, IE's market share has dropped to 90.3 percent. The same study shows that Mozilla Project's Firefox browser' share rose 0.9 percent to a total of 5.0 percent. Other browsers also gained share percentages, validating figures released from OneStat released last year and showing the same trend. According to OneStat, Internet Explorer held roughly 95 percent of the market in May 2004, down to 88.9 percent at the end of November. In the same study, Firefox and other Mozilla browsers rose 5 percent over the same period and hitting a total of 7.4 percent. Complaints about the Internet Explorer have been mainly about frequent security problems and the absence of features that have become standard in the competition. The scenario appears that the rise of Firefox, in particular, is at the expense of Microsoft's IE.

Hardware

- **The research firm International Data Corp (IDC), underscoring a fourth-quarter surge and an unwavering demand from the private sector, announced what it called "a peak recovery" in the global personal computer market.** IDC said the number of PCs sold last year was more than 26 percent higher than those sold in 2000. The fourth quarter showed PC shipments rising to 13.7 percent year on year to 51.5 million units. Dell, the acknowledged market leader, made a strong fourth quarter performance with sales going up 21.1 percent year on year. Hewlett-Packard had a 9 percent growth. Dell's share of the global market rose to 17.9 percent last year from 16.7 percent in 2003. Hewlett-Packard, Dell's rival, had its market share falling 15.8 percent from 16.2 percent in 2003.

Japan

Internet

- **Third quarter net profit for Yahoo Japan Corp. rose, a growth pushed up with the help of its online auction and web advertising business.** Consolidated net profit for the three months ended Dec. 31 rose to 9.2 billion yen (US\$89.6 million) from 6.6 billion yen (US\$64.3 million) posted a year ago. Sales rose to 31 billion yen (US\$302.1 million) from 20.1 billion yen (US\$695.8 million) a year ago. Yahoo Japan has Japan's largest online auction service. Its online advertising business has benefited greatly from strong demand from its corporate clients. The company also runs Yahoo BB, a joint venture it operates with Softbank Corp., an Internet communications conglomerate. Yahoo BB is Japan's largest operator of ADSL high-speed Internet services.

Software

- **Toshiba has developed software giving mobile phones the capacity to perform all the functions of PCs running on Windows from afar.** Toshiba said it had developed BREW software and data compression technology that turns mobile phones into devices that could access computer files and allow the person to perform office tasks even while that person is somewhere else. The concept of

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



Week of 16 January - 22 January, 2005

using mobile phones to link up to personal computers is not really new but the initial developments of said function have been limited. Toshiba is targeting corporate clients but it is also identifying a market of individuals who want to access home servers to do certain things like work security cameras and control air conditioners and other appliances.

Telecommunications

- **Japan and India are cooperating to develop next-generation telecommunications networks.** The report said the two countries are concentrating on networks utilizing Internet technology and high-speed fourth-generation mobile phones. India, which is one of the leading developers of software in the region, is said to be interested in Japanese hardware. Representatives of the two countries are said to be decided on making Asia's information communications technology into setting an international standard.

Hardware

- **The National Institute of Advanced Industrial Science and Technology (AIST) announced its development of a new type of electrode material for lithium batteries that will enable notebook computer or cellular phone to recharge in one or two minutes.** The next step of AIST is to come up with the prototype of batteries and run the procedures to test the performance of the hardware. AIST is aiming to have the technology ready in one to two years.
- **Yamada Denki is planning to launch a personal computer factory in Tokyo with the aim of doubling its annual production capacity to around 100,000 units.** After so many years, the factory will be the first large-scale PC plant to be set up in Japan. Most of the factory building took place between 1980s and 1990s, with the later years witnessing the shift in production to China and other countries where labor costs, among other things, are lower. The Japanese PC markets, industry observers say, are already reeling from intense price competition. Yamada's plan to double the production of low-priced PC output is expected to critically increase the competition.

Mobile/Wireless

- **NTT DoCoMo has come up with plans to address its problem with the termination of prepaid cellular phone service.** It announced that it has firmed up plans to stop accepting applications altogether for prepaid cellular phone service. The said service has been used in crimes. After it stops accepting applications, DoCoMo is expected to give the service two more years before it ultimately scraps the service. The prepaid cell phone service has some 80,000 users.
- **Citizen Electronics Co. and Strawberry Corp., two of the four major cellular phone parts listed on the JASDAQ, reported are projecting pretax profit gains for the year ending March 31.** Citizen Electronics sees its earnings growth coming from strong shipments of LEDs used to boost LCD panel brightness and flashes for camera phones. Strawberry Corp. looks to the increased demand, for domestic and foreign, for its flip phone hinges. Citizen Electronics Co. is forecasting a 20 percent gain in consolidated tax profit to 20.3 billion yen (US\$197.7 million) while Strawberry Corp projects a 34 percent increase in parent-only pretax profit to 900 million yen (US\$8.7 million). Demand for high-performance parts is expected to remain strong as cell phone manufacturers shift to 3G cell phone handsets.

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



Week of 16 January - 22 January, 2005

Media, Entertainment and Gaming

- **Fuji Television Network has offered to buy Nippon Broadcasting System for 170 billion yen (US\$13 billion).** Fuji Television has said it wants to buy at least 12.3 million shares, a purchase that will bring its holding to 50 percent. The two companies already have stakes in one another and are already using the same company logo and headquarters. To help fund the acquisition, Fuji Television will be selling 80 billion yen of convertible bonds to Daiwa Securities SMBC. Fuji Television broadcasts about 40 Japanese professional baseball games a year. It also covers Japan's All-Star game and the United States Major League baseball.

Korea

Internet

- **SK Telecom Co., KT Corp. and Hanaro Telecom, the three operators bidding for the licenses on offer, were given licenses to provide next-generation wireless Internet services.** These services are expected to give broadband Internet access with wider network coverage at cheaper price. The government report also said that it is expecting the three operators to invest 1 trillion won (US\$970 million) each in order to develop their nationwide networks. A looming alliance is seen between SK Telecom and Hanaro Telecom and this is seen by the government as a way to create synergies. The two companies were ranked No. 2 and No. 3 in the bidding, with SK Telecom receiving the highest marks. KT, immediately after the government announcement, made a statement that it will launch a commercial WiBro service from April next year. WiBro is the country's technical standard based on Intel Corp's WiMax wireless platform. This technology is expected to cost much less than the 3G mobile-phone networks. The government said that it sees WiBro services drawing up to 9.4 million subscribers after six years of service. Its annual revenue is predicted to reach 3.2 trillion won (US\$3 billion) to 3.7 trillion won (US\$3.5 billion). The introduction of WiBro is seen also by the government as one way of creating a source of revenue in the country's fixed-line and mobile-phone markets.

Mobile/Wireless

- **Pantech, the country's third largest mobile phone maker, began selling a pioneering motion-recognition mobile phone.** The PH-S6500 "sports leisure" phone was equipped with six-axis sensors that enabled it to detect movement of the handset. When a handset user has it attached to the waist or wrist during jogging, it will show the speed, calories consumed and the distance covered by the jogger. The phone can also be used for car racing, with the user able to change the direction and speed of the car on the mobile display. Pantech began selling the phone through SK Telecom. Samsung Electronics also made a separate announcement saying it had developed a mobile with mobile phone with a capability to discern motion.

Hardware

- **Samsung Electronics, according to the announcement of Texas Instruments (TI), has opted to use TI's imaging processor technology.** Samsung is going to use the technology for what the company touts to be the world's first camera phone equipped with a hard disk drive for storing images and video. Samsung is said to have selected TI imaging processor technology for three of its phones. The new Samsung camera phones are already available in Korea.

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



Week of 16 January - 22 January, 2005

- **Wavic's CoolPAM power amplifier technology has attracted the attention of U.S.-based Agilent Technologies, which announced that it would acquire the Korean company.** Agilent said it will combine the Korean firm's power amplifier capability with its miniature film bulk acoustic resonator (FBAR) filters to create higher-performance CDMA and W-CDMA front-end modules and reduce PCB board space. The idea behind the acquisition is based on the Agilent's move to solidify its market share in power amplifiers and front-end modules, as well as to allow for the design of smaller handsets with additional features.

China

Internet

- **A new survey shows that by the end of last year, there were about 94 million Chinese netizens.** An official of the China Internet Network Information Centre (CNNIC) responded to the data by describing the status of Internet users in China as being in a fast lane, which creates rapid momentum that will continue in the coming years. Other surveys noted though that how the number of Internet users in Hong Kong and Macau have not drastically changed in the past five years. A research note says states that one reason why the number of netizens in Hong Kong seems to have reached a plateau is due to the number of Internet users in the place reaching already the second highest in the Asia-Pacific region. Details of the survey indicate that 39.4 of the Internet users on the mainland are female; 60.6 percent are male. On the mainland, Internet users are fairly young, with more than half of the users below 25 years of age. Other details show 12 percent of the Internet users are professionals and 9 percent are from the business and service sectors. Appearing as the top aims of the Internet users are related to e-mail services, news reading and information gathering. Nearly nine out of ten point to e-mailing as the to activity. Taking the No. 2 slot as the favored activity is news surfing.
- **Mergers and acquisitions are part of the plans of Linktone to reduce its dependence on its instant message service.** Several developments in the country have pushed Linktone to look for alternative revenue programs. Tougher regulations introduced by authorities in China did not exempt Linktone, which was among the service providers sanctioned by China Mobile for the violation of billing rules this month. Both China Mobile and China United Telecommunications Corp. have begun limiting the number of service providers that use their networks and have gone to imposing sanctions on some of them. Linktone's short message service (SMS) business accounts for nearly 80 percent of its total revenue. This makes the entertainment sector of the firm vulnerable to regulations and competition. Linktone's acquisition of Beijing Cosmos Digital Technology Co. was meant to expand its wireless application protocol, or WAP, operations. Analysts see the shift in the strategy of Linktone as a good move. Deloitte Technology recently ranked Linktone the 16th fastest-growing technology company in the Asia-Pacific last year.
- **Affirming the fact that the market of China's online trading has not only potentials but also demonstrating rapid growth, eBay has announced that it is planning to invest up to US\$100 million dollars in eBay EachNet this year.** The report of China Online Auction Research in 2003 confirms this by showing that in 2002, the volume of the online trading was only 940 million yuan (US\$113.5 million), growing in volume to 1.9 billion yuan (US\$231 million) in 2003. By 2004, the same report said the volume of China's online auction is expected to reach 3.3 billion yuan (US\$406 million). eBay invested US\$180 million to acquire a 33 percent interest in Eachnet in July 2004. By means of this partnership, Eachnet extended its e-commerce hold in China and, inversely, eBay gained an entry point

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



Week of 16 January - 22 January, 2005

into one of the world's largest growing Internet market. eBay said the capital injection proves that it is committed through eBay Eachnet to enabling a community of users and helping the business grow in China.

- **Shanda Interactive Entertainment has set its eyes on Internet Protocol TV (IPTV) market as it aims to provide gaming, movie and music content on personal computers, TVs and mobile phones.** Shanda expects to enlarge its customer base from 103 million Internet users to more than 1 billion TV viewers. This move of Shanda into IPTV is seen as the much-needed factor that will boost the development of the content aspect of the technology. To this end, Shanda will open its platform and protocol to all players in the industry, and, as one Shanda official puts it, will welcome other operators in to its platform. A survey conducted by the Shanghai Academy of Social Sciences said that 25 percent of people within the 16-24-age range enjoyed computer games. Some 14.5 percent of respondents said they enjoyed browsing the Internet and only ten percent said they like watching TV. The combination of the Internet and TV is expected to become very popular.

Media, Entertainment and Gaming

- **Officials and industry experts announced that China's online gaming industry made dramatic strides last year, with the domestic games accounting for more than half of the nation's online gaming market.** Data from the China Game Producers' Association showed sales of online games reaching 2.4 billion yuan (US\$298 million) in 2004, a hefty 48 percent increase. During the year, the number of online gamers increased to 26.3 million. For the past few years, China has given importance to the development of the domestic online gaming industry by way of industrial funding, tax incentives, and research and development capability support. With the help from the government and an industry that is fast growing, the country has seen 73 gaming companies able to develop or still developing about 109 game titles. Serving as a boost to the industry are the 21 games already in operation. It is not surprising therefore to see the statistics indicating a significant shift from imported games in the last three years. The progress of online games also has impact on the other technology sectors – telecom operators got 15 billion yuan (US\$1.8 million) in Internet connection fees while IT firms benefited 6.3 billion yuan (US\$769 million).
- **State media reported the arrest of 597 people with links to an underground Internet gambling network said to involve more than US\$60 million.** The gambling network was said to cover 22 provinces and major cities and was allegedly operated by a Taiwan-based company with cohorts in syndicates based on the Chinese mainland. The arrest comes after a campaign against gambling has been launched with overseas gambling, online gambling and illegal lotteries as the target. The report clarified thought that state-authorized lotteries and private gambling activities in private residences are not covered by the ban. The government is expected to issue documents clarifying activities that are allowed or those that are illegal.

Semiconductors

- **Amidst the slump in the semiconductor market, CSMC Technologies announced that orders from its mainland customers would keep capacity utilization above 80 percent this year.** This year, CSMC can process up to 164 million yuan (US\$19.8 million) in orders from CR Logic subsidiary Wuxi Semico, a good indicator of the good health of the domestic market. The chipmaker also said that its construction of a US\$82 million building that will house its eight-inch wafer facility is scheduled for completion in the third quarter of 2005. CSMC's utilization reached 85 percent at the end of last year;

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



Week of 16 January - 22 January, 2005

based on capacity of 59,000 six-inch wafers per month. Last year, the rate was about 93 percent on 44,900 wafers per month at the end of June last year.

- **Intel has signed up the mainland's ZTE as a customer for its new wireless data technology called WiMAX.** The said technology is seen as a possible replacement of Wi-fi, the wireless computer standard used in airports and coffee shops. Intel has strong plans to cover cities with WiMAX, a technology that has a wider range than WiFi even as critics say that WiMAX is overrated. ZTE plans to see equipment for WiMAX networks on the mainland and in Eastern Europe and Southeast Asia later this year.

Taiwan

Internet

- **An e-community is created in northeastern Taiwan after Chungwa Telecom (CHT) laid fiber-optic networks that provide FTTC (fiber to the community), FTTB (fiber to the building) and FPTH (fiber to the home) Internet services for the community.** The largest operator of telecommunication services in Taiwan, CHT offers multimedia on demand (MOD) and Digital Home, which are two kinds of digital audio/video services, to most of the more than 2,000 residences in the community. This e-community is the first of its kind in the country. CHT has the following target for the year: mobile phone services subscribers to grow by 500,000 to 3.5 million; MOD subscribers to increase to 300,000.
- **Efforts of the Taiwan government to stamp out commercial piracy and counterfeit goods have been recognized by the Office of the U.S. Trade Representative (USTR).** The change in perspective is manifested mainly in the country's name being struck out of its "Priority Watch List" and being placed under simply "Watch List". Before the change in stance, USTR noted Taiwan's inadequate protection of pharmaceutical goods, agrochemical products, and copyright violation on the Internet. In the light of this new status, the government through its Intellectual Property Office said it would protect patent rights on pharmaceutical products, focus on the strengthening of Intellectual Property Right laws pertaining to agrochemical products, and intensify the crackdown on the downloading of MP3 music files from the Internet.

Mobile/Wireless

- **With its plan to move all of its smartphone manufacturing back to its own production plans, Motorola announced it will no longer place any orders for Microsoft Windows-based smartphones with Taiwan-based handset makers.** Presently, the following companies manufacture four MPx-series smartphone models based on Microsoft Windows Mobile 2003 OS for Motorola: Chi Mei Communications Systems, Compal Communications and Compal Electronics.

Hong Kong

Mobile/Wireless

- **SmarTone Telecommunications Holdings and CSL are complaining about the delay in an agreement that would allow video calls to be made across the operators' networks.** At the receiving end of the complaint is the rival of the two firms, Hutchison Telecommunications, said to

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



Week of 16 January - 22 January, 2005

stall the progress of the talk that would result to the much-awaited development of the interconnection agreement among operators and subscribers. Without the agreement, subscribers would not be able to use one of 3G's major functions: the capacity-allowing placement of video calls. SmarTone has already launched advanced services last month. Sunday Communications is scheduled to launch its services in the second quarter. The report said Hutchison has no strong incentive to interconnect given the fact that it has signed up about more than two hundred thousand subscribers in Hong Kong, while its smaller rivals have signed up only a thousand. SmarTone has called on the Office of the Telecommunications Authority (OFTA) to mediate the conflict.

Telecommunications

- **Pending an announcement of a major transaction it has entered into, PCCW has requested a suspension of trade in its shares on the Hong Kong Stock Exchange.** No official statement could be elicited from the company, but market source said the announcement has something to do with China Netcom's purchase of a 20 percent stake in PCCW. With a market capitalization of HK\$26.3 billion (US\$3.3 billion), a 20 percent stake in PCCW would be equivalent to HK\$5.2 billion (US\$666.7 million). The deal, if completed, would make China Netcom PCCW's second-largest shareholder. Related to this suspension, PCCW had also asked for a suspension relative to its property arm, Pacific Century Premium Development, and its Singapore unit.

Singapore/Malaysia/Philippines/Indonesia

Internet

- **Internet dating is nothing new but in Singapore it is not only on the rise but gender seems to have challenged many preconceived notions about men and women.** According to online agencies, men accessing dating websites outnumber women by three to one. A site called Singapore Cupid has 72 percent of its members being male. The site has more than 20,000 members at present, from 9,000 in 2002. The profile of those who sign up also challenges much misconception about individuals who turn to the Internet to look for dates. In a check of more than 10,000 profiles, those who sign up are between 26 and 30, hold a diploma or a certification about their high educational qualifications, and earn more than S\$25,000 (US\$15,000) a year.
- **Pacific Internet or PacNet announced a partnership with Astaro, an award-winning provider of Open-Source based security software.** The partnership of PacNet, considered to be the largest telco-independent Internet Service Provider in terms of geographical coverage in the Asia-Pacific region, with Astaro is aimed at providing a secured Internet access solution to small-and-medium sized businesses in Thailand. The agreement will combine PacNet's high-speed Internet access services with Astaro's integrated network solution that is composed of firewall, virus and spam protections, content filtering and the like. Clients are given the option to choose the type of security features their businesses require. PacNet will be the one to manage the service for the customers on a monthly subscription basis.

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



Week of 16 January - 22 January, 2005

United States/Canada

Internet

- **VeriSign is facing a big challenge warding off as many as five competitors officially trying to take away from it the management of the .net domain.** VeriSign gained control of .net in 2000 after its acquisition of Network Solutions Inc., a company that was managing the domain since 1992. An association, the Internet Corporation for Assigned Names and Numbers (ICANN) confirmed that it had indeed receive applications from companies interested in taking over VeriSign whose contract to run .net ends June 30. One Spain-based consortium said to represent 16 countries, is one of those who had submitted a proposal. Other groups come from Brazil, Japan, and Germany, just to give a sample. ICANN said it plans to choose a .net operator in March even as it promises to post the public portions of the .net bids.
- **Yahoo said it earned US\$373 million for the three months ended last month, which helped the web giant to nearly triple its fourth-quarter profit.** With profits from sale of some investments, Yahoo earned US\$187 million. Revenue for the fourth quarter was US\$1.1 billion, a 62 percent increase from 2003. The company gives credit to the steady influx of large advertisers, which included giant corporations in the travel, retail industries, and financial services. The earnings seem to validate also what a Yahoo official said about world's largest companies considering online advertising as a viable alternative to TV, newspaper and magazine advertising.
- **A multiyear agreement between Yahoo and Verizon Communications will allow subscribers to access customized and premium content from Yahoo.** The deal is the latest example of an Internet provider partnering with a content company with an offering that goes beyond fast connection. Verizon Communication is known for its high-speed Internet services. Verizon follows SBC Communications that have been bundling offerings with Yahoo. Verizon also maintains a deal with Microsoft's MSN to provide content to its customers.

Hardware

- **With a result topping most Wall Street forecasts, IBM said that its fourth-quarter profit rose 12.2 percent from a year earlier to US\$2.7 billion.** Revenues for the October to December period grew 6.8 percent to US\$27.6 billion. A company official noted that this was IBM's strongest fourth quarter ever as it saw earnings exceeding US\$3 billion for the first time. The official said this performance reflects the strength of IBM's integrated business model.

Mobile/Wireless

- **Motorola reported strong sales of its 20 new phones with net earnings of US\$654 million for the last three months last year.** Revenues for the company rose 27 percent to US\$8.8 billion, which was ahead of the US\$8.4 billion predicted by analysts. Motorola got about three percent of the market share, making it a strong No. 2 behind Nokia. With posted operating earnings of US\$526 million on sales of US\$4.9 billion, Motorola's mobile-phone unit appears to be its biggest business. The company said it had shipped 31.8 million handsets in the fourth quarter. For the full year, Motorola had a net profit of US\$1.5 billion. Revenues climbed 35 percent to US\$31.3 billion from US\$23.2 billion.

Media, Entertainment and Gaming

- **Electronic Arts (EA), a leading video game maker, has signed a 15-year deal that gives it exclusive rights to use the sports channel ESPN brand in the video games it makes.** Financial

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



Week of 16 January - 22 January, 2005

terms were not disclosed but sources said that EA would pay at least US\$750 million. Part of the deal stipulates that from this amount would come the fund for the commercials to be aired over ESPN channels promoting the games. This move of EA is expected to bolster the dominance of the video game maker over its rivals, Sega Sammy Holdings and Take Two Interactive.

Europe

Internet

- **According to Forrester research, Europeans will prefer to get their broadband Internet connections through upgraded phone networks by 2010.** The same survey said that cable television operators will experience a decline in their market share. The research firm offers by way of explanation the fact that while cable companies were the first to offer fast Internet connections way back in the late 1990s long before telephone operators were able to connect through DSL technology, weak finances and reputations marred the prospect for cable companies. According to the study, Digital Subscriber Line (DSL) will be the dominant technology because telephone lines reach homes and also because telecoms operators are aided by stable financial positions, scale, scope and even brand strength. The study also said that by 2010, DSL will be found in 80 percent of all homes with a broadband line. Those broadband homes not connected via cable or phone wire will get access through a number of available technologies such as fixed wireless, fiber optic cables and even the electricity grid. Forrester predicts that 72 million European households, or 41 percent, will have broadband by 2010.

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