

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



Week of 27 March - 2 April 2005

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International

Mobile/Wireless

- **Key technology players are making a big push to manufacture mobile phones that would function over wireless local area networks or Wi-fi.** Adapting the technology for the mass market is the aim of mobile network operators especially after the semiconductor unit of Royal Philips Electronics announced a complete unlicensed mobile access (UMA) chip reference design for handset manufacturers. This development is seen as the blueprint needed to create GSM and GPRS mobile phones capable of making the quick switch to Wi-fi access points. Another technology, the Alcatel system, enables service providers to extend roaming capabilities as they move between cellular networks and Wi-fi access points. Industry experts say there are still technical issues to be worked through before wireless Internet calling becomes commercially viable. Others predict these dual-mode handsets will remain a niche market over the next few years, with enterprises as the main customers.

Japan

Internet

- **Online securities firms in Japan are allowing individual investors to trade as little as one share.** Kabu.com was the first online trader to launch the business, followed by E*Trade Securities Co. The odd-lot share trades allow investors to buy one share of a stock whose minimum trading unit is 1,000 shares. Odd-lot shares are generated through corporate mergers and stock splits. Both E*Trade and kabu.com accept orders round the clock.
- **Kabu.com said it has started providing trading data for each stock, with the data based on transactions made over the past month.** With the service, investors can now access information on a particular issue's average traded price over the last month and ratios on long and short positions held for that stock. Information will also touch on trading patterns of other investors, information that will allow customers to know which top five stocks were also bought or sold by those who traded a particular issue. The firm said this objective data would help investors make decisions without depending too much on recent price movements.
- **Asukanet Co., a company which uses the Internet to edit and produce funeral portraits and digital photographs taken by individuals, plans to list on the Tokyo Stock Exchange's Mothers market.** The company has ties with some 1,200 mortuaries nationwide, where dedicated equipment is linked with the Asukanet via the Internet. For the year ending April 30, 2005, Asukanet expects to post consolidated sales of 2.2 billion yen (US\$20.5 million). The firm expects to get an estimated 510 million yen (US\$4.7 million) in proceeds from the initial public offering, 400 million yen (US\$3.7 million) of which will be used to invest in the photo album business.
- **Traders Securities Co said it has plans to go public on the Osaka Securities Exchange's Hercules market.** The company, an online brokerage specializing in financial derivatives, is targeting "high-end investors". It looks to investor trading in Nikkei stock index futures and options serves as its primary revenue source. Its other major revenue source is foreign exchange trading through margin

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accounts. At the end of 2004, Traders Securities had 3,294 customer-trading accounts for securities and 3,539 for margin currency trading.

- **Softbank Human Capital Corp. announced a new service aimed at preventing leakage of online recruitment data.** The information service firm calls the new service “Rec-log” and will be offered on an application service provider (ASP). With the technology, the company will set up a dedicated site for clients on the servers it manages. It will also post application forms for job seekers. A different ID will be allocated to each user of the data, which would include the personnel affairs divisions of companies and clerical subcontractors. The aim of this identification is to limit the access to the information. The new service is priced at about 70,000 yen (US\$670) a month for a half-year contract.

Mobile/Wireless

- **Softbank Corp. withdrew its lawsuit against the Ministry of Internal Affairs and Communications, which denied the former the license to use 800MHz spectrum for 3G mobile phones.** Industry analysts say that Softbank does not wish to undermine its relation with the ministry. The ministry has jurisdiction over broadcasting licenses, and Softbank has been reported to be eyeing a business alliance with Fuji Television.
- **Fujitsu said it would join forces with French telecoms equipment maker Alcatel to build mobile networks for 3G services in China.** A Fujitsu spokesperson said they are seeking sales cooperation in China because that is where Alcatel and Fujitsu are strong in some areas. With the pairing, the two companies are seeking a combined 15 percent share. Companies are rushing to gain entry into the Chinese market as it is the world’s biggest mobile phone market, and 3G services are expected to start soon.

Media, Entertainment and Gaming

- **A revision is being proposed to the Radio Law finalized by the Ministry of Communications, which would limit the combined direct and indirect foreign ownership of a Japanese broadcaster to 20 percent of the company’s voting rights.** The present law limits direct investment by overseas interests in broadcasting firm to 20 percent of the voting rights. Those who violate this rule see their licenses revoked. No regulations, however, are in place regarding indirect investments. The law brings out the concern about foreign ownership of certain media institutions.
- **Sharp Corp. said it plans to enter the portable digital music player.** Sharp’s music players are considered to be the first in the country that will allow music to be transmitted to FM radios, such as those found in car audio systems, via radio waves. The technology means that one can listen to the sound without the use of headphones. The company has a target of a combined monthly production of 30,000 units.

Information Technology

- **Fujitsu Services Ltd. has won a systems order from Britain’s Ministry of Defense worth about 100 billion yen (US\$932.4 million).** Fujitsu Services, the wholly owned British information services subsidiary of Fujitsu Ltd., has received large contracts from the British government, with this latest contract, which will last for at least 10 years. This contract also allows Fujitsu more opportunity for expansion in its information systems, a welcome development amidst the leveling off in the Japanese market.

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Hardware

- **Onkyo Corp. announced that it has joined the sector backing the HD DVD next-generation DVD format, a group that includes the Toshiba Corp. and NEC Corp.** The participation of Onkyo is deemed significant due to its expertise in mid- and high-range amplifiers and speakers, features that are sure to boost the popularity of HD DVD movie titles. Onkyo is said to be negotiating also with the group backing the Blu-ray Disc format of next-generation DVDs, a group that has Sony Corp. and Matsushita as members.

Korea

Media, Entertainment and Gaming

- **The Korean Broadcasting Commission announced the results of the licensing competition, with six licenses allocated for land-based mobile television services.** Three of the licenses were given to the country's three major land-based television stations, KBS, MBC and SBS. The remaining three licenses were allocated to consortiums: cable news broadcaster YTN, radio broadcaster CBS and the group of electronics equipment makers PSK Tech Inc., Homecast Co., and digital content developer Sigong Tech. Co. The television stations have set a May deadline for bringing television to mobile handsets in Seoul and other neighboring cities.
- **Even as the high demand worldwide for the new Sony PlayStation has delayed its shipments to South Korea, the country's largest Internet operator, KT, is teaming up with Sony Corp. to bring it in.** Under the agreement, KT will offer services for the much-anticipated unit. The services will allow users to surf the Internet from wireless access points and view unique content geared toward the device.

Internet

- **The JoongAng Ilbon's Internet site, reputed to be the longest running online news service in Asia, celebrated its 10th anniversary.** The site was first launched in 1995, when it started giving JoongAng Ilbo news in Korean, Japanese and English. The site currently provides a blog service for web site visitors and access to magazines published by Joong-Ang's publications. The site allows users to browse through e-comic books, register for online lectures and post travel reservations. An estimated 10 million people visit the site.

China

Internet

- **China's first e-commerce legislation becomes effective with the electronic signature law, which allows parties to choose whether to use traditional or electronic signatures in contracts or other legal documents.** The law gives digital signatures the same legal status given to traditional signatures. Officials believe the law comes at a time when it is crucial to the promotion of e-commerce in China. A spokesperson from 1pai.com, an online joint venture between Yahoo! and Sina Corp., sees the law as one means of expanding the scope of online trading. The firm signed already a co-operation deal with the China E-Commerce Association using electronic signatures, which is considered now as the first

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kind of agreement signed after the approval of the law. Alibaba.com also said the law would be a factor that would increase the reliability of online trading, which is said to pose one of the biggest problems in e-commerce web sites. Industry analysts believe the development of e-commerce needs more long-term efforts. Another problem that the law poses is the fact that there are over 70 electronic signature authentication agencies in the industry. Analysts say these agencies providing authentication services must first secure government approval, although there is no law yet requiring this.

- **PacificNet Inc. announced that it has entered an agreement to acquire a 51 percent controlling interest in Guangzhou 3G Information Technology Co., Ltd. (Guangzhou 3G) in China.** With the agreement, Guangzhou 3G will be a majority-owned subsidiary of PacificNet. The acquisition is expected to be immediately accretive to PacificNet's earnings. Guangzhou 3G is a value-added services Internet company in China serving the country's four leading telecom operators that includes China Mobile, China Unicom, China Telecom, and China Netcom. PacificNet Inc. is a firm that invests in and operates companies, which provide outsourcing and value-added services and solutions in China, such as call centers, telemarketing, business process outsourcing, mobile applications, and sales and distribution of telecom products and services.
- **A study and whitepaper disclose that Chinese Internet users are becoming more focused on technology and business when it comes to the online information they seek.** The same study said that this change took place even as the geographical and cultural issues remain a major focus of users in the country. Leading the most popular technology searches are Chinese instant messaging software, Mongolian software and laptop motherboards. Consumer searches that are most sought after include cars and car stereos. Among the leading searches related to geography are for China, India, Shanghai and CEPA. Accona, the firm that conducted the study, is considered to be one of the prominent search engines in China. It has a 20-year exclusive agreement with China Daily Information Company. It is the official search partner for its China Daily News portal.
- **Telecom Communications, Inc. that its subsidiary, Alpha Century Holdings Limited (Alpha) has entered into a cooperation with the affiliate network division of ICChina .com.** The cooperation will have ICChina.com distribute the new product line, IBS v4. 1 Enterprise Suite to SMEs in some 2000 affiliate members in 300 cities across China. Telecom Communications is a Total Solutions Provider with product offerings that include Integrated Communications Network Solutions and Internet Content Service in voice, video, data web and mobile communications for interactive media applications. ICChina.com has city web sites on more than 300 major Chinese cities.

Media, Entertainment and Gaming

- **Xinhua Finance announced that it will launch a weekly financial news radio show in Japanese on the prestigious Nikkei Broadcasting Corporation (Radio Nikkei) network.** The 30-minute program is entitled "Xinhua Finance Information" and will feature the latest financial news and commentary on China business. It will also feature interviews with prominent Chinese and Japanese businesspersons. The news will be provided by Xinhua Finance's Finance News, Credit Ratings and Index Divisions. Radio Nikkei is a popular radio station in Japan. It is operated by Nihon Keizai Shimbun. Xinhua Finance Limited is China's premier financial services and media company and is listed on the Mothers Board of the Tokyo Stock Exchange.
- **According to the China Gaming Market Analysis and Forecast 2004-2009 report, China's online gaming market revenue reached US\$297.9 million in 2004, a figure that is a 47.9 percent growth**

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over the previous year. The report, which is jointly released by IDC China and China Game Publishers' Association, noted that the year was characterized by a lack of innovative products, a factor that forced both game operators and vendors to seek new avenues for growth as competition increased. IDC expects mainland China's online gaming market to show steady growth over the next five years with a relatively high compound annual growth rate (CAGR) of 34.7 percent.

Mobile/Wireless

- **China's National Development and Reform Commission approved five new companies that will invest in mobile phone production.** The five companies are: Shenzhen Huawei, Qingdao Hisense, Dalian Daxian Pantech, Ningbo Aux and Jiangsu Gaotong. All the five companies are expected to have a combined annual production capacity of 11 million handsets. The companies are the first batch able to get licenses following the rules set to standardize the process for approving investment in mobile phone equipment manufacturing. According to the Ministry of Information Industry's goal for 2005, China is expected to make 260 million mobile phones in 2005.

Hardware

- **TPV Technology said it will likely gain more than US\$1 billion of additional revenue this year from its buyout of its associate company Oriental Top Victory Electronics (OTPV) and its completion of the acquisition of monitor and flat-screen television businesses from Royal Philips Electronics.** A company spokesperson said TPV will buy out all of its associate company OTPV, after which TPV would consolidate the results of OTPV. TPV combined with OTPV last year to move from fourth place in 2003 and displacing Samsung as the world's top LCD monitor maker. Responding to the increasing global demand for LCD monitors, TPV said it will increase its capital expenditure to US\$70 million this year from US\$40 million last year. With the LCD monitor business of Philips, TPV is poised to become the world's biggest monitor manufacturer.
- **Lenovo said three U.S. private equity firms have agreed to invest US\$350 million in China's top computer maker.** The Hong Kong-listed firm said Texas Pacific Group will invest US\$200 million, General Atlantic LLC and Newbridge Capital LLC will have an investment of US\$100 million and US\$50 million respectively. Lenovo said US\$150 million will be used for the IBM deal while the rest will be for general use. Texas Pacific was Lenovo's leading contender in the acquisition of IBM's personal computing division.

Telecommunications

- **China Telecom Corp Ltd. posted a net profit of 28 billion yuan (US\$3.3 billion) for the fiscal year 2004.** The figure represents a 101.9 percent growth on a re-stated 13.8 billion yuan (US\$1.6 billion) net profit of a year earlier. The 2003 earnings of the company were re-adjusted after an asset revaluation deficit of 14.8 billion yuan (US\$1.8 billion) and the tax impact after its acquisition of 10 provincial networks from its state-owned parent were factored in and deducted. Revenue from its broadband business remains still small despite the broadband users of the company doubling to 13.8 million this year. China Telecom is the country's largest fixed-line telecom carrier.
- **China Telecom and China Mobile Communications have signed a "strategic co-operation agreement" that calls for the two companies to look into how they could avoid overlaps in their services and operations.** The agreement identifies the competition that the two companies would get into would be the rational type. The agreement means that China Telecom and China Mobile will see

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their executives meeting regularly, with the two companies agreeing to work together in developing market strategies.

Semiconductors

- **Semiconductor Manufacturing International Corp. (SMIC), reported a net loss of US\$11.2 million for the three months ended December 2004.** This compares with a net profit of US\$10.9 million a year earlier and a US\$39.3 million profit in the third quarter. China's leading chip foundry posted for the fourth quarter revenue of US\$291.8 million, an increase on US\$145 million it posted a year earlier. For the full-year 2004, SMIC had a net profit of US\$89.7 million, which was a reversal of a year-earlier loss of US\$66.1 million. SMIC said it is on its way to finalizing a joint venture to build an assembly and testing facility in Chengdu, China. An SMIC official said SMIC will have 51 percent of the venture, with the identity of its partner to be revealed in May.

Software

- **Kingdee International Software Group announced its plans to increase its research and development spending on its enterprise software suite.** The firm's research and development expenditure jumped 108.7 percent to 53.7 million yuan (US\$6.4 million) last year. Its expenses made an 18.7 percent increase to 228.7 million yuan (US\$27.6 million). Kingdee is looking to expanding its market share in the small and medium-sized enterprises market to 30 percent this year from 20 percent last year. The firm said it is engaging Indian firms to talks on partnership opportunities. It is seeking acquisition targets in application software industries working with property, finance and logistic firms even as it "sits on cash and cash equivalent" of 214 million yuan (US\$25.8 million).

Taiwan

Semiconductors

- **Taiwanese industrialist and founder of Semiconductor Manufacturing International Corp (SMIC) Richard Chang has been fined by the Taiwanese government NT\$5 million (US\$158,000) for breaking rules about making investment in the mainland.** With the fine came the order to cease spending in the mainland. Taiwan has restrictions on investments in the mainland. So far, Taiwan Semiconductor Manufacturing is the only Taiwanese firm given a go-signal by the Taiwanese government to manufacture chips in the mainland.

Telecommunications

- **Chungwa Telecom Co. announced a 1.5 percent increase in its revenues to NT\$185.2 billion (US\$5.8 billion).** The firm said its net income grew 7.6 percent to NT\$50.9 billion (US\$1.6 billion). According to the new report, the firm's broadband business saw a 26.7 percent year-on-year growth in subscriber numbers, with a net increase of around 650,000 subscribers. A company official said they are expecting another 650,000 of net new subscribers in 2005 in order to meet their target of 3.7 million total subscribers by the end of the year. Chungwa Telecom, the leading telecom service provider in Taiwan, provides fixed line, mobile, and Internet and data services to residential and business customers in the country.

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Hong Kong

Mobile/Wireless

- **PCCW Ltd. announced a net profit of HK\$1.6 billion (US\$210 million) for 2004, which represents its first annual net income in three years following a write-off of an unprofitable cable venture.** Net income for the six months ended Dec. 31 was HK\$835 million (US\$107 million), compared with a loss of HK\$6.8 billion (US\$872 million) it posted last year. Its sales had a 3 percent increase to HK\$12.1 billion (US\$1.5 billion) from HK\$16.5 billion (US\$2.1 billion). PCCW's sales from telecommunications were reported to have fallen 8.1 percent from HK\$16.5 billion (US\$2.1 billion) in 2003 to HK\$15.2 billion (US\$1.9 billion) in 2004. Competitors like Hutchison Global Communications have been affecting significantly PCCW's Hong Kong market share.
- **Hutchison Whampoa Limited announced a net profit of HK\$16.1 billion (US\$2 billion) in 2004, representing a 38 percent increase compared to 2003.** The revenue for the company had a 23 percent increase compared to 2003, which brought the revenue of the company to HK\$179.4 billion dollars (US\$23 billion). The company also reported a net loss of HK\$25.3 billion (US\$3.2 billion) from its 3G operations. The company said it has about 8 million 3G subscribers, an increase from the 5.9 million in December.
- **Sunday Communications announced an earnings loss of HK\$12.9 million (US\$1.6 million), which resulted in full-year earnings of HK\$5.5 million (US\$705,000), a figure that is a 79.5 percent decrease from HK\$27.1 million (US\$3.4 million) a year earlier.** With the loss came also the 4,000 decreases in the number of prepaid subscribers to 29,000. Revenue from mobile services also exhibited the same pattern, which dropped HK\$511 million (US\$65.5 million). These losses were offset by an increase of 29,000 prepaid subscribers to 256,000 and a 1.5 percent rise in turnover to HK\$584 million (US\$74.8 million). The firm's capital expenditure is also expected to increase from HK\$252 million (US\$32.3 million) last year to HK\$800 million (US\$102.5 million) this year.

Hardware

- **Truly International Holdings, Hong Kong's largest listed liquid crystal display maker, is going to increase its annual production capacity to 60 million for color super-twist nematic (CSTN) panels for mobile phones.** The firm expects to meet the target when its new CSTN production line starts production in June. Truly is planning to deliver 25 million CSTN panels to South Korea this year as part of its move to enhance its market share. The firm announced a net profit of HK\$526.5 million (US\$67 million) last year, a 173.2 percent year-on-year growth.

Singapore/Malaysia/Philippines/Indonesia

Internet

- **The number of Internet users in the Philippines, according to IDC Philippines, is expected to post a 69 percent increase to 20 million by 2007.** The report said commercial transactions coming from the Philippines and coursed via the Internet amounted to US\$3 billion. Seventy percent of these transactions were between businesses with the report clarifying that Filipino consumers were still not into Internet shopping. Factors that would push would the growth of Internet user and e-commerce

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would be economic growth, aggressive pricing by telecommunications firms and Internet service providers, the rise in the use of personal computers and government initiatives to boost Internet use.

United States/Canada

Internet

- **MCI accepted the US\$7.6 billion takeover offer from Verizon, a move which industry watchers say reaffirm its plans to join the industry.** The move also put a stop to all the efforts of Qwest to outbid its rival. The deal gives Verizon, the biggest U.S. telecom firm, access to MCI's Internet backbone network. With the network come its long-distance operations and major customers, which include major U.S. government departments. The two companies are hoping to get a clearance soon from U.S. antitrust regulators in a year to seal the merger.

Media, Entertainment and Gaming

- **Sony Computer Entertainment was fined US\$90 million and was ordered to stop sales of its popular PlayStation consoles in the United States because of a charge of patent infringement from a small California-based developer of digital touch technologies.** Immersion, the U.S. company, said that Sony infringed on its technology that made a game controller vibrate in sync with the actions in the games being played. The U.S. is a key market for Sony. It has launched a hand-held version of its PlayStation games console in the U.S. market and was reported to be increasing production to meet forecasts for sales in the U.S. and Europe of 3 million units.

Software

- **Oracle Corp. said it would not rule out buying a local player in China or India if only to expand its market.** The statement was made after the software giant noted the growth in its Asia-Pacific revenue. Oracle revealed to the media that it posted a US\$425 million in sales from the region. It reported that winning a battle in China with rivals SAP AG and Microsoft Corp would be crucial to its business of selling database systems, application servers and business software. Oracle is looking to making China its No. 2 market in Asia in three years. Oracle's three largest markets in Asia are Japan, South Korea and China. Oracle has rivals in China in the Kingdee International Software Group Co. and Beijing UFSOFT.
- **Microsoft Corp has a service that allows people to download certain TV shows to portable devices such as media players and cell phones.** The new service, MSN Video Downloads, will give access to sports highlights and Fox Sports shows, news and business headlines from MSNBC.com and children's programming from Cookie Jar Entertainment. The service is one of Microsoft's latest moves to encourage people to use Portable Media Centers and other devices that make use of its Windows Media Player technology for watching movies and listening music.

Europe

Internet

- **The continent is said to be finally catching the broadband bug, with Broadband households in western Europe increasing by nearly 65 percent last year, a rate that is twice as fast as the U.S.**

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Registering the highest growth was France, which was until recently was not on the top list. According to the Europe Broadband report, price is one reason for the growth. While western Europe as a whole still lags behind North America in broadband adoption, countries such as Netherlands, Belgium, Denmark, Switzerland and Sweden all recorded broadband penetration rates equal or higher than the U.S. at the end of 2004. Aside from price, two other factors influenced the growth: availability and choice and government support.

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