

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



Week of 10 April - 16 April 2005

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International

Internet

- **The Internet Corporation for Assigned Names and Numbers (ICANN) gave final approval on two new Internet suffixes – “jobs” for the human resources community and “travel” for the travel industry.** According to ICANN, it would still take months before the domain names will start appearing in use. Companies managing those names must register first and go through other procedures. The Internet’s key oversight agency spent considerable time negotiating contracts with the companies after the board gave the preliminary approval of those names last year. Negotiations are taking place on two other names that were already given preliminary approval: “post” for postal services and “mobi” for mobile services.

Telecommunications

- **Analysts predict the enterprise market for Internet protocol private branch exchange (PBX) systems will increase to US\$2.3 billion by 2008 from US\$577.2 million last year.** The growth is predicted as companies move from PBX systems to VoIP. Companies who were into VoIP early on saw in the technology built-in cost savings, with IP networks handling data, voice, video and storage on the same infrastructure. Much of this added functionality is product of convergence. Motorola, for one, says the trend in office communications is towards e-mail, Internet, instant messaging, land line and mobile communications, all happening on the same device. Companies cite many other reasons for shifting to IP telephony networks but analysts say the video is a crucial factor for its impact on communications culture.

Japan

Internet

- **Avex Group Holdings Inc. announced the reorganization of its corporate structure around the establishment of an online content distribution subsidiary and the consolidation of its creative operations into one division.** The move is aimed at strengthening online music distribution and visual content production and reduces its dependence on music CD sales. The major record company plans to set up a content distribution web site that would just handle its music and visual software libraries. Initially, the site will be for free but only members will be given access to downloading services for cell phone users. The site is predicted to offer both music and visual content for downloading to personal computers. Avex is also considering having a tie-up with other music content distribution services and granting access to its song libraries.
- **Cyber Communications Inc and I am Inc. are launching a job placement service specializing in the Internet industry.** I am Inc. will solicit job seekers using its web site and online classified ads; Cyber Communications will do the training of individuals. Together with the training, Cyber Communications will conduct sessions in related areas like marketing. Online advertising agencies and other Internet-related companies are experiencing shortage staff because of the market’s explosive expansion.
- **The Japanese unit of South Korean portal site operator NHN Corp. is focusing its management resources on a new community site.** It is switching its main site from a portal to a

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community site to offer such things as blogs and social network services where users can share photos and review popular products. Use of the community site will be free and the firm will generate income by selling things like avatars and interior illustrations. Operating the Naver portal site and the Hangame game site, NHN hopes to attract 1 million users to the new site, with the firm targeting the Hangame users in their teens and twenties. According to a survey by Online Game Forum, domestic sales of online items such as avatars amounted to 10.7 billion yen (US\$99.2 million) in 2004. The company sees this market as an area for expansion.

- **In a move that may end months of fighting and strategizing, Livedoor is seen as likely to sell its majority stake in Nippon Broadcasting System Inc. to Fuji Television Network Inc.** Analysts however say that it is too early to say whether the two firms will be able to come to an agreement. With the move, Fuji TV is expected to invest in Livedoor. Livedoor and Fuji TV are also discussing the possibility of the Internet firm and some of its group companies issuing 60-70 billion yen (US\$556.8 - 649.6 million) worth of new shares to the TV broadcaster. Analysts predict that, in the absence of an agreement, Livedoor will revert to its original strategy of taking over Nippon Broadcasting's management.
- **Softcreate Co. will go public on the Osaka Securities Exchange's Hercules market for start-up firms.** Softcreate, a developer of e-commerce site, began as an operator of a personal computer shop in the 1980s before transforming itself into an IT company. As an IT company, it earned more than 80 percent of its gross profit from systems development and software sales. Using its know-how and experience, the company has developed a software called "ecbeing", a software now called "ec-shop" and used by some 150 firms. For the year through March 2006, Softcreate expects its unconsolidated pretax profit to post a 25 percent growth to about 500 million yen (US\$4.6 million). The company plans to use about 900 million yen (US\$8.3 million) in proceeds from the initial public offering to set up research and development/marketing centers. SMBC Friend Securities Co. is the lead manager of this offering.

Mobile/Wireless

- **NEC System Integration & Construction Ltd. announced its plan to sell location information systems that use wireless LANs.** These systems can identify the location of personal computers, personal digital assistants and special tags with wireless LAN functions. NEC System Integration is targeting 5 billion yen (US\$46.4 million) in revenues by fiscal 2008 from the sales and service equipment.
- **Domestic shipments of mobile phones posted a 23 percent growth in February from a year earlier to 4.2 million units, according to the Japan Electronics and Information Technology Association (JEITA).** Demand for cell phones was slow through 2004 but the release of 3G handsets this year triggered what has been tagged by industry watchers as "replacement period", labeled as such because it sees consumers exchanging their old 2G phones with the 3G units. JEITA said that growth will continue to be strong with the ongoing migration to 3G phones.
- **Japan Communications Inc. said it will list on the Osaka Securities Exchange's Hercules market.** The company is a mobile virtual network operator (MVNO), serving in general corporate clients. It offers services that enhance security functions of communications circuits leased from Willcom Inc., the company formerly known as DDI Pocket. Besides data communications, the company also offers the serving of billing corporate and individual cellular phone users separately, a

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business that accounts for over half its total sales. The low profitability of this business pushed the firm to shift its focus to data communications services. Japan Communications targets a group pretax profit of 460 million yen (US\$4.2 million) for the current fiscal year ending March 2006.

- **Users of 3G phones are expected to grow in number in faster than those subscribing to 2G services by the end of this year.** As of last year, there were some 60 million 2G phone users and slightly fewer than 26 million 3G subscribers. The two types of users are forecast to meet around the 45 million mark later this year, with 3G expected to take the lead before the end of 2005. The percentage of 3G phones sold by NTT DoCoMo is expected to rise to nearly 40 percent of its total sales by the end of this year, an increase from the 24 percent it posted at the end of March. For Vodafone, more than 30 percent of the sales would be attributable to 3G phone sales. At KDDI Corp, 3G phone users account for 92 percent of users. In the personal stereo market, sales of Apple Computer Inc.'s iPod and similar music players with high memory capacity are predicted to outpace those of MiniDisc players in terms of volume. Apple Computer remains the market leader for this new type of portable players. South Korea's ReignCom Ltd. follows Apple. Through its Japanese unit, iriver Japan KK, it disclosed that it is setting up a manufacturing plant in China. The move aims at boosting its annual sales 230 percent to 1 million units this year.

Media, Entertainment and Gaming

- **Konami Corp. said it will invest an additional 1.4 billion yen (US\$13 million) in Hudson Soft Co. and transform the video game developer into a subsidiary.** Konami intends to buy newly issued stock in order to increase its stake in the software developer from 45.4 percent to 53.9 percent. The funds procured will be used to develop online games and mobile phone content development. Konami said it plans to become fully involved in Hudson's business revitalization. Hudson is expected to report a group net loss of about 7.7 billion yen (US\$71.4 million) for the year ended March 31. The loss is a result of many factors, one of which is the cancellation of video game development projects.

Software

- **Aoyama Gakuin University College of Science and Engineering has developed a software program that can generate high-quality summaries of documents written in Japanese.** The program uses the EDR Electronic Dictionary and special algorithms to analyze the meanings of words. The summary produced focuses on what are assumed to be the main elements of the document. A possible application of the program is for the generation of summaries that can help a company search through mountains of stored documents.
- **Sun Microsystems KK and SAP Japan Co. said they are teaming up for the development of enterprise resource planning (ERP) software.** The two companies will go into a joint development of highly secure core business systems by making use of the hardware and operating system software of Sun Microsystems and SAP Japan ERP software. Given their emphasis on high level of security, the two companies aim to market their systems to regional governments and private companies.
- **Accenture Corp. said it will sell its enterprise resource planning (ERP) software to midsize firms.** The company's ERP packages are modified for easy setting up. Accenture said it will target midsize firms as demand from large corporations has already peaked. The firm expects to win orders from 100 companies over the next three years by offering a service that can estimate in advance the effect of introducing the ERP software.

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Hardware

- **Fujitsu Ltd. said that it has finalized and signed the deal for the sale of its liquid crystal display panel business to Sharp.** Under the agreement, Fujitsu said it will sell its LCD research and development, manufacturing and sales operations at the subsidiary Fujitsu Display Technologies Corp. Together with the related research and development facilities at the research unit Fujitsu Laboratories Ltd. Fujitsu declined to disclose the value of the transaction.
- **Toshiba Corp. and Samsung Electronics Co. said they will initiate the mass production of 0.85-inch hard-disk drives (HDDs) the world's smallest, as the main storage medium for cellular phones.** Replacing flash memories, the HDDs are expected to boost the memory capacity of cellular phones and upgrade their functions. According to IDC, mainly Japanese firms dominate the small-HDD sector. Industry analysts say the planned entry of the South Korean semiconductor maker into the 0.85-inch HDD sector will likely push Japanese manufacturers to increase the storage capacity and processing speeds of their devices so as to maintain their competitive edge.
- **Plastic parts maker Ono Sangyo Co. is expected to post a 140 percent growth to about 800 million yen (US\$7.4 million) for the year ending March 2006.** The growth is mainly attributed to strong orders for components used in flat-panel TVs. Sales are estimated to grow 31 percent to about 14 billion yen (US\$130 million) due to the increasing use of plastic parts in digital cameras and game consoles. The company also announced that more production is to be outsourced in China. Ono Sangyo announced a parent-only pretax profit of 330 million yen (US\$3 million) for fiscal 2004, up from an 87 million yen loss (US\$807,000) a year earlier.
- **Sanyo Electric Co. and IBM Japan Ltd. announced that they will work together to develop a fuel cell that will provide power source for notebook computers.** Sanyo Electric will develop the cell using the data provided by IBM Japan about the needs of computer users. The expected product is one that can be fitted to IBM's ThinkPad notebooks. Mass production is expected to begin in 2008.

Information Technology

- **Gaitame.com Co. partnered with eBank Corp. to issue a cash card with Edy prepaid electronic money functions.** The cash card is issued to clients of Gaitame.com designating eBank as the institution through which to make foreign exchange margin and other transactions. Under the system, depositing and withdrawing money from the bank together with paying small amounts for shopping can be done with a single card. This means greater convenience. The card, according to the companies, is the first bank cash card to come with electronic money functions.

Korea

Internet

- **Google released the Korean language of its "Gmail", which will allow Gmail subscribers to select a Korean interface to give them better access to the e-mail services in the language of their choice.** The new service offer subscribers 2 gigabytes of storage space, a new development in the continuing battle between local Internet portals in providing greater storage capacity for their e-mail customers. Over and above the 2 gigabytes of free storage, the e-mail service has other features, which include rich text formatting, free post-office-protocol access and automatic e-mail forwarding. Google

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also makes available other products in Korean like desktop search and toolbar services. Google also said it plans to raise further the e-mail storage capacity for its clients.

Mobile/Wireless

- **The country's six land-based mobile television broadcasters announced their agreement to provide free broadcast services to customers and to continue to find ways to lessen investment risks for mobile operators on equipment and transmission infrastructure.** The companies are the three major land-based television stations – KBS, MBC and SBS – and the three consortiums led by cable news broadcaster YTN, radio broadcaster CBS and electronics equipment makers PSK Tech Inc. The move runs counter against the demands by mobile phone operators to introduce customer fees. The six groups were the recipients of licenses to offer land-based mobile television services. For areas like subway stations and tunnels, the broadcasters said they will allow mobile operators to control reception through the system called “conditional access systems” or CAS.
- **KT Freetel revealed the opening of an engineering facility to develop radio-frequency identification technologies for mobile phones.** Located at KTF's research and development center in the Gyeonggi Province, the center will concentrate on testing tag-embedded handsets, sensor-based computing platforms and short-range transmission between mobile devices. KTF said that for this project it will team up with Hewlett-Packard Ltd. and Oracle Corp. for research and sharing of technological developments. The company is initially focusing on a pilot project in June aimed at developing electronic payment systems and data delivery models on RFID-enabled handsets.
- **LG Electronics Inc. released a new mobile phone with the capacity for wireless banking transactions.** The handset is integrated with a fingerprint identification scanner aimed at enhancing security. LG Electronics has about 20 mobile phones equipped with mobile banking capabilities since 2003. It has sold some 1.5 million units as of March, which represent 32 percent of the market segment during the period. The company said it is aiming to capitalize on the mobile banking phenomenon.

Hardware

- **Samsung Electronics reported a 52 percent drop in profits for the first quarter of the year, by posting profits at 1.5 trillion won (US\$1.4 billion), a figure less than half of its 3.1 trillion won (US\$3 billion) in the first quarter of last year.** Sales also went down to 13.8 trillion won (US\$13.5 billion) from 14.4 trillion won (US\$14.1 billion) in the first quarter of 2004. Lower than what most analysts predicted, the weak results were attributed to price cuts in LCDs, flash memory chips in MP3 players and handsets, and DRAM chips in personal computers. Industry watchers pointed to an oversupply in these markets as one of the reasons for the slump.
- **IBM Korea said it won a ten-year outsourcing contract from Allianz Life Korea, a unit of German Insurer Allianz.** The company, which is the Korean unit of International Business Machines Corp. won the deal over eight other bidders. The contract will allow IBM Korea to manage Allianz's servers and storage. It will also operate data and disaster recovery centers for Allianz Life Korea, which has over 1.3 million policyholders in South Korea. IBM Korea did not reveal the financial terms of the deal.

Information Technology

- **Business and policy makers in the country are working fast on the move to realize a national urban development project aimed at increasing and forging the role of information and**

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communication technology in civic planning and management. At the center of this is the so-called “U-City project” that has for its objective the building of an industry-wide partnerships between the high-tech and construction sectors to integrate advanced info-tech infrastructure to support the sustainable development of cities. The main idea of the project is to create environments in cities where residents can enjoy access to high-speed networks and increase the access to information services anytime regardless of location. KT Corp pegs the U-City development projects between US\$15 billion to US\$20 billion by 2010. KT signed a memorandum of understanding with the city government of Busan last month as its U-City project head.

China

Internet

- **Baidu, a leading Chinese search engine, and China Telecom Yellow Page, a China Telecom subsidiary, entered into a strategic partnership, which will combine Baidu’s advanced search technology with China Telecom’s database.** The partnership aims to produce a local search product that provides location specific search service much desired by Internet users. Baidu said there is an increasing trend in location specific queries from its users. Once Yellow Page’s business listings are incorporated in Baidu’s search index, Baidu expects an increase in the use of Baidu’s existing PDA and WAP-based mobile search function. China Telecom’s Yellow Pages are considered to be the most comprehensive business directories available in China. Baidu generates over the 100 million page views per day from its world’s index pages of Chinese web pages.
- **China’s biggest online game company, Shanda Interactive Entertainment, said it will distribute music in China for Universal Music.** The latest in a series of strategic partnerships entered into by Shanda, the agreement will allow the Shanghai-based company to branch out from its core games business into offering Universal’s music online using streaming technology. China was the world’s 19th largest music market by value in 2003. In terms of units sold, it was No. 7, according to the International Federation of the Phonographic Industry (IFPI). Despite its size, most of the leading labels have minimal presence in the market due to piracy. Shanda said it would offer music in downloadable form through its game platform and at the web portal www.poptang.com.
- **China is pushing for electronic tickets in a move to lessening airline operational costs brought about by increasing oil prices.** The Civil Aviation of China (CAAC) disclosed that two airports would be chosen to pilot the projects. The aim is to expand the use of e-tickets nationwide by 2007. China Southern Airlines, which ventured first into e-tickets in 2000, had revenues of 4 billion yuan (US\$483.2 million) on e-tickets, a figure representing 20 percent of the company’s total sales and giving the company a saving of around 100 million yuan (US\$12 million) in operating costs. Air China and China Eastern are two airlines whose respective major business plans this year center around the promotion of e-tickets.
- **Sohu.com Inc. announced that it has entered into a definitive agreement to acquire Go2Map Inc.** Acquiring Go2Map, one of the leading online mapping service providers in China, would give Sohu the capacity to apply Go2Map’s technological expertise in professional location-based information to Sohu’s search engine capabilities and online web site content. Go2Map’s mapping information gives users online mapping services through different Internet/Intranet platforms, mobile phones, call centers and PDAs. For the acquisition, Sohu will pay US\$9.3 million in cash with

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US\$400,000 paid on the signing of the share purchase agreement. Upon the closing of the acquisition, US\$8.9 million will be paid. Following the closing of the acquisition, an additional amount that shall not exceed US\$2.5 million will be paid over two years, subject to the satisfaction and attainment of certain post closing operating and financial milestones of Go2Map.

Media, Entertainment and Gaming

- **SEEC Holdings, the publisher of the financial magazine Caijing, said it is in the last leg of negotiations with four global publishing firms for the purpose of expanding its portfolio of consumer-driven publications.** An official of SEEC and main-board listed SEEC Media, did not reveal the names of the foreign media firms but disclosed that negotiations had been going on since last year and had moved over to financial considerations. The agreements with these firms would take the form of joint ventures or licensing, aside from plans to buy foreign titles and launch Chinese editions in mainland and overseas markets. Demand for consumer magazines is on the rise together with its middle-class population. SEEC's move is based upon the huge advertising market in China that was valued at more than US\$15 billion last year. SEEC posted net profits of HK\$53.1 million (US\$6.8 million) last year, up from HK\$28.2 million (US\$3.6 million) in 2003.

Mobile/Wireless

- **Jamdat Mobile, the global wireless entertainment publisher, announced the launching of two new mobile games in China – “Lord of the Rings-Two Towers” and “Collapse”.** The games will be played on China Unicom's network and distributed through C-Valley. JMDT has recently invested in C-Valley. A company official said Jamdat's launching of the new titles shows their “commitment to aggressively deliver wireless content” to this strategic market in China.

Hardware

- **The U.S. firm IDV-GMOD is teaming up with Qinghua Tofang Co. Ltd. and a unit of Haier Electronic Groups Co. Ltd. in order to develop a computer twinning TV and broadband.** The group joins of Motorola Inc. and France's Thomson that are all trying to find a way into China's goal of developing its broadband and pay television systems. The partnership of IDV-GMOD, Qinghua Tofang and Haier has found an ally in China Netcom Group Corp, which has signed a letter of intent to support the computers. The partners expect to launch their product called “Superbox” around the end of 2005.

Telecommunications

- **Macau's largest telecommunications services provider, Companhia de Telecomunicacoes de Macau (CTM), is expecting a single-digit growth this year even as the former monopoly faces two new entrants.** CTM reported a net profit of US\$50.6 million last year, slightly down from US\$54.4 million in the previous year. The company reported gross revenue totaling US\$199.2 million last year, a figure that represents a 25 percent profit margin. CTM attributes the profits to cost controls. The company has lost market share to new competitors, Hutchison Telecom and SmarTone Communications. CTM says it has more than 50 percent of the mobile market last year, with Hutchison Telecom disclosing its Macau market share as 38 percent.

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Taiwan

Internet

- **Tecom Co. announced that it had won the bid for an additional 180,000 ADSL access points for Chungwa Telecom.** The local telecom equipment maker said that, if all goes well, it will receive another batch of orders for 350,000 more ADSL access points. By the end of the month, the company expects to secure 530,000 orders valued at NT\$750 million (US\$23.7 million). Chungwa is expected, meanwhile, to announce the release of 950,000 orders under a new bid. Tecom posted sales of NT\$920 million (US\$29.1 million) in March. With the orders coming in April, Tecom's sales for that month could top the NT\$1 billion (US\$31.6 million) mark. Tecom posted sales for the first quarter at NT\$2.6 billion (US\$82.3 million), a 7.2 percent growth from the same period last year.

Telecommunications

- **Chungwa Telecom said its profit in the first quarter to March went down to NT\$11.6 billion (US\$367.3 million), a 10 percent decrease from NT\$12.9 billion (US\$408.5 million) in the previous year.** Sales for the first three months went down to NT\$44 billion (US\$1.3 billion) from NT\$44.9 billion (US\$1.4 billion). Sales in March fell to NT\$13.8 billion (US\$437 million) from NT\$14.8 billion (US\$468.7 million) in the same month last year. The company attributed the slump to a market that is going on a plateau as it awaits development in the 3G mobile phones market.

Semiconductors

- **Silitech Technology Corp announced its plans to overtake its Japanese rivals and be the world's largest maker of keypads for mobile and phone handset by 2007.** The company was No. 4 last year, with 15 percent of the market share, behind Japan's Shinetsu Chemical Co. Ltd, Sunarrow Ltd. and Polymatech Co. Growing orders from Silitech's major clients are expected to boost its keypad shipments by around 20 percent to 119.5 million units in 2005 from about 99.6 million last year, according to the company data. To sustain the company's production growth, a company official said they will "increasingly rely on its China operations." In 2005, Silitech expects to get 80 percent of its total keypad shipments from an expanding plant in Shenzhen. A company spokesperson said that, unlike Japanese rivals, which do assembly in China but keep some higher-end processes like design in Japan, Silitech is building complete supply chains in China for efficiency. Morgan Stanley forecasts for Silitech a net profit of NT\$917.4 million (US\$29 million) on consolidated revenue of NT\$5.6 billion (US\$ 177.3 million) this year. In 2004, its net profit was NT\$783.8 million (US\$23.3 million).

Hardware

- **Chi Mei Optoelectronics Corp said it had signed a licensing agreement with U.S.-based Honeywell International.** The agreement would give Chi Mei access to the use of several Honeywell technologies in thin-film-transistor liquid crystal display products. The agreement also extends to cross licensing of other patents although no details were released by Chi Mei. Honeywell has already licensed of its key patented technologies to Chi Mei's rivals LG Philips LCD, Samsung Electronics, NEC LCD Technologies and Sharp.

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Hong Kong

Media, Entertainment and Gaming

- **Galaxy Satellite Broadcasting announced the launching of its 24-hour news channel for mainland immigrants and regular cross-border visitors.** The channel will feature news from seven mainland provinces and cities – Beijing, Shanghai, Tianjin, Chongqing, Hubei, Shaanxi and Zhejiang – and will be available to Galaxy's 30,000 subscribers. The broadcast will also be used to introduce commercial packages for hotels and serviced apartments. Galaxy said it plans to increase its coverage by delivering its service over Hutchison Global Communications' cable network pending government approval. TBV, which runs Galaxy, was quoted as saying it was "making good progress" in finding an investor willing to take up the 51 percent stake in Galaxy. The stake was previously owned by Intelsat of U.S., which quit the venture in September. Following a government waiver, TVB has until the end of the year to find another partner.

Telecommunications

- **PCCW and China Network Communications Group (Netcom) said they are making an investment of up to US\$300 million in the mainland's value-added telecommunications services market.** PCCW also revealed that they will seek funding from third parties. With no information about the potential investors and the absence of details about the two firms' cooperation, industry watchers are sensing a frustrated market unable to gauge the potential of PCCW. The two fixed-line carriers are expected to go into the development of broadband services. This is an area that experts believe is the expertise of PCCW, with the company having signed up some 360,000 customers for its NOW Broadband television service in December last year. A four-person committee, with two officials from PCCW and Netcom, will oversee the funds to be raised for joint-venture possibilities in the mainland.

Singapore/Malaysia/Philippines/Indonesia

Internet

- **Pacific Internet Limited announced that its Australian subsidiary has been selected by the Australian government Department of Health and Ageing to provide broadband services to the healthcare community.** Under the partnership, all the popular features of Pacific Internet's flagship business broadband plans are available in the Broadband for Health plan range, such as free protection from viruses and spam, a free dial-up account for use at home, 24x7 business grade technical support, including the 99 percent service level guarantee. The Department of Health and Ageing has approved for use, too, for additional security, value-added services like a business grade serviced firewall and network monitoring.

United States/Canada

Internet

- **Google announced two new services that can provide users local business listings or driving directions through their mobile phones.** Google Local is the name of the new web site for users

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with XHTML-enabled browsers on their phones through which they can search for local business and find direction on how to get there. Google users can also access driving directions with text messages via Google SMS. Google Local is available in the U.S. and Canada. Most wireless carriers support Google SMS.

- **Amazon.com announced its acquisition of Mobipocket.com, which markets electronic books and the software for reading them on handheld computers and wireless phones.** An Amazon spokesperson described the Paris-based Mobipocket's technology as "attractive". The company, however, declined to say how Mobipocket.com would be integrated with Amazon's operations.

Media, Entertainment and Gaming

- **XM Satellite Radio Holdings and America Online said they are planning to include some of the satellite service's programming to AOL's radio products.** The move is aimed at bringing a sample of paid radio to a wider audience at the same time increasing traffic at AOL's site. The agreement will provide a way for XM and AOL to share content for their respective platforms and give web surfers access to 20 XM channels on AOL's radio section, and with it its current roster of 130 stations for free. A new version of AOL's "premium" radio service would then possess 70 XM channels. These channels will be available for a monthly fee, the amount of which had not been set. AOL subscribers will receive automatically the enhanced service. Financial terms of the deal were not disclosed. XM has 3.8 million subscribers. AOL says that its radio network is visited by 10 million users monthly.
- **Walt Disney said it is expanding its broadband offerings for children, with additional activities for preschoolers and a second multiplayer online game for teens.** The service would have puzzles, games and learning activities aimed to preparing kids for kindergarten. The service will enable also parents to track their children's activity. The service, part of a strategy to widen its Internet offering for children of all ages, will be priced at US\$50 a year.

Hardware

- **Apple Computer disclosed a good six-fold growth in its second-quarter earnings, attributing the growth to sales of iPod digital music player, which pushed revenues to a 70 percent increase.** Apple said it earned US\$290 million on revenue of US\$3.2 billion for the quarter to March 26. The company's revenues went beyond the consensus estimates of analysts assessed by Thomson First Call that forecast revenue of US\$3.2 million. Apple said it sold 5.3 million iPods worldwide during the second quarter of the United States fiscal year, a massive 558 percent increase from a year earlier. The iPod is 31 percent of US\$1 billion, which is Apple's total revenue for the three months. Apple also reported shipping 1.1 million Macintosh computers in the quarter, including its new Mac Mini, a 43 percent increase on the year-before figure.
- **IBM announced results that were described as disappointing: its first-quarter income from continuing operations was US\$1.4 billion, revenues from continuing operations for the first quarter were US\$22.9 billion, a 3 percent growth compared with revenues of US\$22.2 billion for the first quarter of 2004.** Asia-Pacific revenues grew 1 percent (down 2 percent, adjusting for currency) to US\$5.2 billion. Revenues posted growth in four of IBM's industry sectors in the first quarter led by the Distribution sector, as well as growth in sales to Small and Medium Businesses. Hardware revenues were described as "essentially flat" (down 2 percent, adjusting for currency) to

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US\$6.7 billion. Revenues from Software were US\$3.6 billion, representing a 2 percent increase (flat, adjusting for currency) compared with the first quarter of 2004.

- **Sun Microsystems, Inc. posted a narrower quarterly loss even as it posted results missing expectations as revenue went down 1 percent.** Revenue for the network computer maker went down to US\$2.6 billion. Sun said it posted a net loss of US\$61 million narrower than its year-ago loss before extraordinary items of US\$260 million. This was the second consecutive quarter of declining year-over-year revenues and followed its larger rival IBM's first-quarter results.

Europe

Telecommunications

- **The Czech government approved the sale to Telefonica of a majority stake in Cesky Telecom for HK\$28 billion (US\$3.5 billion).** The Spanish firm said it would provide assistance to Cesky Telecom for it to realize the potential of the Czech broadband market and develop 3G mobile services. Telefonica described the acquisition as a "low-risk operation". The acquisition is predicted to help Telefonica increase its customers worldwide to more than 130 million. The deal follows an agreement where Vodafone Group said it would acquire Mobifon in Romania and Oskar Mobil in Czech Republic for US\$3.5 billion.

Semiconductors

- **ASML Holdings posted a first-quarter net profit of €100 million (US\$129.1 million) a figure that represents a five-fold growth from a year earlier.** Europe's largest producer of machines that manufacture computer chips, ASML's bottom line was pushed up by an increase in the price of its equipment and stronger sales, which posted a 51 percent increase to €685 million (US\$884.5 million) from the same quarter last year.

Mobile/Wireless

- **Sony Ericsson Mobile Communications Ltd. disclosed a 61 percent drop in its first-quarter profit, with its net income falling to €32 million (US\$41 million) from €82 million (US\$105.8 million).** The company, a cellular joint venture owned by Sony Corp. and Ericsson AB, said its sales went down to €1.2 billion (US\$1.5 billion) from €1.3 billion (US\$1.6 billion). Its pretax profit fell also to €70 million (US\$90.3 million) from €97 million (US\$125.2 million). The London-based company, whose fifth position as the biggest handset maker was grabbed last year by LG Electronics, is hoping that new features such as music players will boost its sales.

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