



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

**Week of 26 June - 2 July 2005**

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## International

### *Internet*

- **A survey of 18,000 online consumers in 18 countries reveal people's usage of Internet for booking travel and accommodation as well as the impact of web searches on people's decision where to spend their holidays.** The survey conducted by GMIPoll also provides an insight about how online travel booking is evolving faster in some country-markets than in others. As to how much of people's travel is booked online, the British respondents posted the highest rate with 22 percent compared to the French who registered nine percent and the German with 11 percent. On a global scale, only nine percent of online consumers surveyed by GMI book all of their travel online, with 43 percent stating they book less than a quarter of their travel online. Nearly half of the Chinese respondents claimed their use of online booking has increased compared to 12 percent reporting a decrease. The survey indicates that European markets outside of the UK are source challenges and opportunities for online sales and travel marketing. The GMIPoll is run by the market research solutions company Global Market Insite.

### *Hardware*

- **The latest ranking of the world's top 500 supercomputers list reveal that the gap between China and the regional market leader Japan had lessened.** The list places China as Asia's fastest growing market for high-performance computing systems, with the listing ascribing China's new position to its possession of 19 supercomputers now ranked among the most powerful in the world. The U.S. is still the leading consumer of high-performance computing systems, with its 294 sites in the top 500 list, up from 267 in November. The report noted that breakthroughs in new commercial markets are growing on the mainland. Around the world, national and university labs are the location of supercomputer usage, which cover the areas of life sciences, hydrodynamics, quantum chemistry and other allied pure research areas. The global rankings make use of the Linpack benchmark that considers processor speed and scalability.

## Japan

### *Internet*

- **Netmarks Inc, a company that markets telecommunications equipment, said it would begin offering systems that would make data accessible at apparent LAN speeds.** The company uses a system based on a hardware appliance called Steelhead. Netmarks disclosed also that it has signed a sales agreement with Riverbed Technology Inc., the company that developed Steelhead. The agreement will allow Netmarks to use the Steelhead appliances to develop systems for Japanese companies that do not have the infrastructure needed for high-speed telecommunications with their overseas branches and subsidiaries. Systems using the Steelhead appliances are priced at about 3 million yen (US\$27,000). Netmarks expects sales of about 500 million yen (US\$4.4 million) in the first year.
- **KDDI R&D Laboratories Inc. unveiled a way to automatically transform web sites for personal computers that will allow the sites to be displayed on cellular phone screens.** Basically, the present convention decreases the width of a page and arranges the content vertically so that they can work in cell phones. The new technology offered by KDDI connects the phone to a web site, where the texts and images and images are analyzed according to the degree of importance, with key portions

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shown first and the other information shown on subsequent pages. The company said the technology would be available within two years.

- **GaiaX Co., a company that designs and operates corporate web sites, announced its plan to go public on the Nagoya Stock Exchange's Centrex.** GaiaX has about 70 percent of its revenue generated from web sites that offer content for free, with the rest of its revenues ascribed to a range of services it offers to clients. The services include developing and operating home pages, weblogs, bulletin boards and other sites. Its 50 clients include Namco Ltd., NTT Communications Corp. and Sega Corp. The company estimates its consolidated pretax profit for the current year through May 2006 as surging to 130 million yen (US\$1.1 million) from 6 million yen (US\$53,000) in the previous year, a figure that is based on 39 percent increase in sales to 1.4 billion yen (US\$12.5 million). For the current year through May 2006, the company looks to a 31 percent increase in its group pretax profit to 170 million yen (US\$1.5 million). The company said it would use the funds generated by the initial public offering in upgrading the software it uses to for content development.
- **Ikyu Co., a hotel reservation web site operator, was given a go-signal to list on the Tokyo Stock Exchange's Mothers market.** Ikyu will offer all the shares through the book-building method, with Nikko Citigroup as the lead underwriter for the offer. For the current fiscal year through March 2006, the company predicts a parent pretax profit of 1.1 billion yen (US\$9.8 million), a net profit of 635 million yen (US\$5.6 million), and revenues of 1.7 billion yen (US\$15.2 million). During the last fiscal year, Ikyu had a parent pretax profit of 725 million yen (US\$6.4 million), a net profit of 434 million yen (US\$3.8 million), and revenues of 1.2 billion yen (US\$10.7 million). The company said that it expects to net about 1.4 billion yen (US\$12.5 million), out of which 642 million yen (US\$5.7 million) is earmarked for capital expenditure.
- **The survey conducted by the National Institute of Information and Communications Technology reveal that people in Japan are spending more time browsing the Internet than reading newspapers.** The survey said that the average amount of time spent on the Internet was 37 minutes per day, compared with 31 minutes for newspapers. In Japan, however, television still reigns over other media tools, with Japanese registering an average of three hours and 31 minutes in front of the TV each day. The study was based on valid responses from about 2,000 people aged between 13 and 69. Respondents aged between 13 and 19 spend 108 minutes each day online, compared with 23 minutes devoted to newspapers. Those in their 60s spend 58 minutes with their newspapers and 50 minutes on the Internet.

## *Mobile/Wireless*

- **NTT DoCoMo said that it would be doing a joint procurement by way of its eight foreign partners of cell phones made by South Korea's LG Electronics, which will be made for sale in their respective markets.** The joint procurement is aimed at decreasing the cell phone purchase costs and also promoting the I-mode service. The aim of DoCoMo is to keep up with Britain's Vodafone Group and other carriers that are already into joint procurement programs. The foreign partners of DoCoMo, which are all into I-mode Internet service, include KPN Mobile of the Netherlands, Bouygues Telecom of France and Wind Telecomunicazioni of Italy. As the model to be purchased carries the GSM format used in Europe and Asia but not in Japan, DoCoMo will not be part of the joint purchasing operations.

## *Software*

- **NEC Corp. said it aims to boost its marketing as well as the maintenance of its information systems in China through a setting up of a local sales office that would focus on Japanese**

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**automobile and distribution firms in China.** The company is aiming at deriving sales of about 900 million yen (US\$8 million), given the presence of Japanese automakers and distributors in China. The move is also seen by the Japanese company as a way of developing knowledge about the kind of software and systems appropriate to the Chinese business culture as it also aims to doing business with more local firms. Through its maintenance, NEC Fielding Ltd., the company is setting up a joint venture with a Chinese information system designer.

- **Toshiba Corp. announced that it is expanding its business alliance with Microsoft, a move that is expected to deepen the cross-licensing agreement the two companies entered into in May.** Although the agreement does not include capital alliance, the two companies expect the agreement would enable them to use each other's patents on computer and digital electronics technologies. Microsoft said that it expects the alliance would provide a smooth way for some possible joint projects in the future.

## *Hardware*

- **Fujitsu Ltd. said that it has provided a grid-computing system to Bank of Tokyo-Mitsubishi for use of the Mitsubishi Tokyo Financial Group Inc.** The system, which is composed of an array of servers and computing software, will be used by the bank for its currency options operations that would simulate price movements among other things. The system enables massive computing and is expected to lessen the calculation time as much as 1/20<sup>th</sup> of that required by systems in place. For Fujitsu, this is the first time that they are providing a grid computing system to a financial institution.
- **Two lawsuits were filed by the Japan unit of Advanced Micro Devices Inc. (AMD) against Intel Corp.'s Japanese unit for US\$55 million in damages.** In the lawsuit, AMD Japan stated that Intel Japan violated Japan's antitrust laws. AMD also made a claim that Intel's trading practices have caused damage to AMD with Intel's "relentless global campaign" to maintain its monopoly over microprocessors. Japan's Trade Fair Commission has already made a ruling that Intel's Japanese unit was violating antitrust laws with its manner of selling its computer chips, and was made to stop those practices. The lawsuit is apparently part of the broader lawsuit filed by AMD against Intel in the U.S., which states that Intel was using illegal inducements and coercion to dissuade companies from buying AMD's computer chips.
- **IBM Japan Ltd. announced its creation of a special group that will serve as an R&D Center on autonomic computing applications.** Autonomic computing is the term used by IBM to define a strategy of creating self-management capabilities into computer systems for self-identification and self-healing of problems, a concept already present in some online gaming applications. The task of the center is the development of technologies that can be integrated into a range of hardware and software products. The Autonomic Technology Center is going to be firming as the core center of autonomic computing for the whole IBM group.

## *Information Technology*

- **Nexion Corp., a communications service company, announced its separation from its parent Marubeni Corp.** The split, which happened through a management buy-out (MBO), was made in order to give Nexion more flexibility in developing business strategies. The move is also expected to help the company in promoting its high-definition image distribution business. Under the deal valued at about 500 million yen (US\$4.4 million), Marubeni will still hold over 10 percent of Nexion. The company said it would concentrate its resources on services for terrestrial digital broadcasts. Nexion is aiming sales of 3 billion yen (US\$26.8 million) in the fiscal year ending March 2008.

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## Korea

### *Internet*

- **Lycos, Inc. announced that Wired News content is now available to Korean readers on Daum.net.** Wired News content is translated daily into Korean, and Japanese as well, a unique feature of the service. A leader in online journalism, Wired News provides daily source of exclusive, original news, features and commentary on the impact of technology, science and the Internet on business, politics, society and culture. Lycos Inc. is a wholly owned subsidiary of Daum Communications Corp. Its technology and community lifestyle sites include Lycos.com, Hotbot.com, Wired.com, Tripod.com, Angelfire.com and Quote.com.

### *Mobile/Wireless*

- **Samsung Electronics and German automaker Audi said they have entered into a partnership to introduce Bluetooth technology that will allow users to have access to MP3 music files from their mobile handsets over the car stereo system.** Samsung calls the technology Advanced Audio Distribution Profile (A2DP). The company said it plans to expand A2DP supporting cellular phone models in the future. Other automobile makers have also plans to integrate Bluetooth technology into automobiles. Another report said that Apple Computer is expanding partnerships with companies such as BMW, Mercedes-Benz and Audi to include MP3 players in their latest luxury models. In another development, Samsung and Motorola disclosed a technology sharing agreement the two companies have entered into. Samsung has confirmed that is has signed the agreement but gave no details about what technology is covered by the agreement. Cross-licensing agreements are done sometimes to avoid litigation over intellectual property issues. Samsung has signed also a cross-licensing agreement with Sony.

## China

### *Internet*

- **U.S. based Amaru Inc., through its brand M2B, said it has entered into an agreement between its Singapore-based M2B World Pte Ltd and China-based Chengdu Happy Digital Network & Information Technology Co (Happydigi), the media subsidiary of China Telecom.** The agreement will run for be good for five years and will allow M2B to develop a Happydigi Movies Entertainment Platform web site. By way of M2B, Happydigi can access a range of Hollywood entertainment content through a streaming broadband. The first phase calls for M2B World Pte Ltd to offer English content including movies, lifestyle, sitcoms, music and variety shows to about 8 million subscribers to Happydigi. The move is seen as helping the company gain access to China Telecom's broadband subscriber base of 28.3 million customers. Under the deal, Happydigi will be undertaking a marketing campaign to promote M2B content. Previously, M2B has entered into an agreement with CITV to distribute Mandarin content via broadband outside of China. The agreement with Happydigi is seen as increasing M2B's reach given that China Telecom has a presence in 21 Chinese provinces and is an owner of over 70 percent of fixed infrastructure.
- **Global giants Pepsi and Coca Cola are observed to be making inroads by way of the Chinese online gaming industry and the advertising opportunities it provides.** Even as Coca Cola inked earlier an agreement with The9, Pepsi Cola made its debut on the web site of Shanda, which is reputed

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to be the most popular online gaming provider in China. Industry watchers are saying that Shanda is developing a program that would provide leisure time and entertainment products. Observers are pointing as an example the design of Pepsi's new advertisement being based on the new Shanda game "Magical Land". No details have been disclosed about how Shanda and Pepsi are going to work out their alliance.

- **Sina Corp announced the launching of its internally developed search engine dubbed "iAsk", a move that industry watchers say establish the company as a frontrunner in China's online search market.** The search engine will operate both in English and Chinese and has enhanced features. Sina said the search engine is also equipped with personalized capabilities that, among other things, will allow search by local content archives of personal content. Sina "iAsk" offers knowledge-based and community-based search along with the standard web-based search. It also features a filter zone that filters all past information and data collected by Sina on the subject being searched.
- **The Chinese government through its Ministry of Culture disclosed a strategy expected to encourage the development the online games industry amidst the present limitations imposed on their content.** The policy, as explained by an official, is aimed at drawing the interest of the game developers as they design products based on "traditional Chinese culture and patriotism." The policy also carries a support mechanism as a cross-ministry coordination group is revealed, which is led by the Ministry of Finance. The group is reported to be working on financial incentives for online games companies, an incentive that would include research and development funds and tax breaks. A Ministry of Culture official also announced that the country would establish four cartoon and online games bases in Shanghai, Guangzhou, Chengdu of Southwest China's Sichuan Province and Dalian in Northeast China. The Ministry of Culture and the Ministry of Information Industry are also laying down a compulsory technical standard for online games to be released soon.

## *Mobile/Wireless*

- **Tom Online, a leading wireless Internet company in China, and TCL Mobile Communication Co., one of the largest Chinese domestic handset manufacturers, announced their strategic alliance aimed at 3G technologies and the distribution of advanced multimedia products on wireless and online platforms and in TCL shops across the country.** Tom Online is already the biggest wireless Internet service partner of TOM Online but the latest agreement will help further TCL in its preparation for the launching of 3G in China. The partnership is expected to use TOM Online's strength in music, entertainment and sports content. TOM Online is also expected to assist in the installation of computer links at all TCL sales outlets in China.
- **Airvana, Inc., a provider of all-IP, 3G CDMA2000, announced that it would present advanced features that will enable service providers in China to deliver 3G services to consumers and mobile professionals.** Airvana is a pioneer in introducing all-IP 1xEV-DO solutions to market and is the first CDMA infrastructure vendor to demonstrate multicast, application level QoS (Quality of Service) and VoIP in China. The delivery of these features to service providers is expected to lower the cost of delivering compelling multimedia services to handsets and enable the rapid adoption of 3G wireless.
- **China Mobile, the largest wireless carrier in China, has picked Nortel for the upgrading of its backbone network in Zhejiang province.** The Zhejiang Mobile upgrade is expected to improve network performance, flexibility, quality of service and operational cost-effectiveness, according to Nortel Networks. Financial details of the upgrade, which is expected to be completed in September, were not disclosed.

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- **China Mobility Solutions, a leading provider of mobile business solutions to many different corporations in China, unveiled a new system it has developed, which would allow corporations to control SMS marketing campaigns straight from their own computer terminals.** With the new system, there is no need for clients to access databases and content from China Mobility Solutions' home page as they are allowed to download the software into their own computers. The application is important for China Mobility Solutions' 17,000 customers in China. Mobile marketing is one of the fastest-growing and most effective approaches companies can adopt in order to reach their customers. China Mobility Solutions allows its clients the use of a system that enables them to create marketing campaigns very quickly.
- **Visto Corporation, a provider of secure push mobile e-mail, announced that it is undertaking a "significant expansion" of its Asia Pacific operations.** To support the new market growth in Asia, Visto said it is opening development center and sales offices in China and Japan. The company's new engineering center in Tianjin, China, will be its major R&D center, with the aim of supporting the company's product and technology vision and at the same time providing local support for wireless operators in the region. According to the plan, Visto's new sales and support offices in Beijing and Tokyo will "directly interface" with customers in the region. Visto delivers the global platform for mobile operators to provide wireless push e-mail to the broadest set of mobile devices, its open solutions enabling e-mail for the mass market.
- **Mobiltek Corporation, a company engaged in the provision of interactive mobile value added services and mobile television services over broadband mobile networks, disclosed that it has secured two new systems integration contracts from two additional telecommunications services providers in China.** The first of the first two contracts state that Mobitel has been selected to modify, localize, install and implement a telecommunications system for SMS television. The second contract gives Mobiltek the task of modifying, localizing, installing and implementing a telecommunications system for a mobile payment platform. The two contracts give Mobiltek the responsibility for marketing the services in both systems to the U.S. domestic market. Mobitel also retains the system resale rights in the U.S. The confidentiality agreement with both client companies is the reason for the non-disclosure of their identities.

## *Software*

- **AsiaInfo Holdings, Inc, a provider of software, solutions, and services to telecom operators and enterprises in China, announced the agreement it has signed with Shanghai Mobile for the provision of software solution.** The contract stipulates that AsiaInfo will provide IN-BOSS billing software solution to Shanghai Mobile, a major subsidiary of China Mobile. The solution will give support to the mobile communications company's real-time monitoring of prepaid calling charges. Shanghai Mobile provides its subscribers with a range of prepaid calling services. The solution is expected to alleviate the company of the number of overdue and unpaid subscriber bills, reduce its billings costs and help boost its network efficiency. AsiaInfo developed its billing solutions after extensive research and analysis of foreign telecom operators and China's local market condition.

## *Hardware*

- **Global Flex, the Suzhou-based maker of flexible printed circuit boards, said it will shell out US\$60 million to fund the setting up of a plant in Northern China.** The company, which disclosed its plan to list, is expecting to raise about US\$75 million in an initial public offering next month. It posted a net profit of US\$25.1 million last year. According to GC Capital, the mainland would grab 20 percent of the world market, leading Korea and Taiwan and facing directly Japan, which now has 31

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percent of the global market for circuit boards. Last year, Motorola contributed US\$165.7 million to Global Flex's turnover, a fact that DBS Vickers noted as a heavy reliance on the telecommunications sector.

- **Sichuan Changhong Electric Co. Ltd., one of China's biggest television makers, forecasts over 500 million yuan (US\$60.4 million) in net profit and 16 billion yuan (US\$2 billion) in revenue this year, compared to a net loss of 3.6 billion yuan (US\$435 million) on revenues of 11.5 billion yuan (US\$1.3 billion) last year.** The company has been focusing on the design and manufacture of computer, communication and consumer (also known as 3C) electronics products, which include video telephones and Internet protocol televisions. It counts among its 3C partners Microsoft Corp, China Telecom Corp and Shanda Interactive Limited. The company's strong sources of profits are the IT products, portable DVD players, portable televisions and MP3s, which are all produced by Sichuan Changhong Zhaohua Information Products Co Ltd.

## *Ventures/Investments*

- **Intrado Inc., a global provider of integrated data and telecommunications solutions, and PDAGER (XieJin) Technology Development Co., Ltd., a provider of mobility services and wireless emergency call solutions, announced their signing of memorandum of understanding.** The agreement is focused on the two companies intention to form a joint venture aimed at the development of improved emergency communications solutions for public safety and disaster management agencies in China. The MOU brings together two companies with their own expertise in the field. Intrado provides the bulk of the 9-1-1 call routing in location provisioning infrastructure in North America, while PDAGER has deployed a system for public security emergency call center in Beijing. Vistasia partners, an international business development firm with presence in Beijing and Vancouver, facilitated the formation of the agreement between the two companies.

## Taiwan

### *Information Technology*

- **AU Optronics disclosed that it has signed an agreement with IBM Corp. allowing the Taiwan-based company to acquire hundreds of patents related to TFT-LCD (Thin Film Transistor-Liquid Crystal Display) technologies.** The deal will see about 170 U.S. patents transferred to AU Optronics. Counterpart patents in Japan, Korea and Taiwan are covered by the deal. The move will boost the position of the company in the field of intellectual property. AU Optronics presently holds more than 1,100 patents worldwide, with almost 3,000 patent applications still pending. No financial details about the deal were released.

## Hong Kong

### *Media, Gaming and Entertainment*

- **PCCW announced the formation of PCCW Media, a new advertising subsidiary that would integrate all the content distributions channels as well as make available a cross-media platform for all of the company's clients.** The venture would not need big investments from the company to bring in customers, as it would be making use of its distribution networks by way of NOW Broadband TV, now.com.hk, SMS phones, Yellow Pages, and even public telephone booths and telephone exchanges. PCCW Media disclosed also that it plans to use the group's public telephone and

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telephone exchange towers to generate income from advertising. According to Zenith Optimedia, television media contributed about 39 percent of total advertising spending in Hong Kong.

## Singapore/Malaysia/Philippines/Indonesia

### *Information Technology*

- **Sales by U.S. electronics firm based in Malaysia is climbing 10.3 percent to US\$21.6 billion, according to Malaysian American Electronics Industry (MAEI) whose members produce nearly a third of Malaysian electronics exports.** The industry report notes that increase in Internet utilization and demand for mobile and wireless devices are two factors that trigger the growth of the industry. MAEI, which counts among its members firms like Intel Corp., Motorola, Western Digital and Dell, stated that with the 2005 sales would come increased design and development activities by manufacturers transferring their operations from Europe and the U.S. to Malaysia.

## United States/Canada

### *Internet*

- **Sprint is continuing to push for the next-generation WiMAX technology with its announcement of a joint testing with Motorola on wireless broadband.** The companies said they would do laboratory testing of base station equipment, smart antenna technology and multimedia handsets. Field trials in some locations will be done in a run-up to customer demonstrations and more studies for market applicability. In the collaboration, Motorola will be using its experience with wireless technology innovation, IP core switching and wireless with the aim of helping Sprint validate next-generation wireless opportunities.
- **Orbitz and Priceline.com Inc. announced their signing of a travel marketing agreement.** The deal will make PriceLine will become Orbitz's exclusive partner for opaque travel services effective Jan. 2006. The deal sees a restructuring of a hotel marketing contract between the two companies that will enable Orbitz to forge direct relationships with hotel chains. Orbitz is a travel agency owned by Cedant Corp.
- **Google is sharing the technology it used for its mapping service, a move that would enable developers to create web sites and software applications integrating Google's mapping information with data taken from other sites.** The decision of Google was triggered by the many incidents of users hacking into Google's mapping technologies. The company said it is giving the technology for free to any web site that will use it for applications that are also distributed free. Yahoo said it plans to release similar information about its mapping service.

### *Software*

- **Oracle reported for fiscal 2005 fourth-quarter earnings of US\$1 billion, up from US\$990 million in the same period last year.** In the period ended May 31, Oracle posted revenues of US\$3.8 billion, which represents a 26 percent increase from the fiscal fourth quarter of 2004. Excluding certain expenses pertaining to the merging of sales forces of Oracle and PeopleSoft, which it acquired for US\$10.6 billion in the first quarter, the company had a profit of US\$1.3 billion, which marks a 35 percent increase from the same quarter last year.

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- **Sun Microsystems Inc. confirmed its decision to acquire SeeBeyond Technology, a company that produces software that combines different computer systems for US\$387 million in cash.** The result of the acquisition is a company that offers products that tie together disparate applications such as accounting, payroll and customer management and will give Sun a strong position in the business integration market. The market is valued at US\$5 billion. The deal follows Sun's announcement to buy storage equipment maker Storage Technology Corp. for US\$4.1 billion.
- **Microsoft is making one of the largest payouts when it gives IBM US\$775 million in cash and US\$75 million worth of software to settle claims from the anti-trust case against Microsoft made in the 1990s.** The payout brings Microsoft closer to closing the lid on the claims that involve technologies already outdated. IBM did not file a case against Microsoft but kept the right to do so under a 2003 agreement between the companies.

## *Media, Gaming and Entertainment*

- **Sony BMG announced the finalization of its deal with Mashboxx, a legal file-sharing network that requires users to pay for copyrighted songs.** Users of Mashboxx will be able to preview entire tracks for limited number of plays for free. Mashboxx is designed to work with the technology company Snocap. In a separate development, the U.S. court ruled that Grokster could be held liable for copyright infringement because it had no mechanisms that will prevent its users from sharing copyrighted music and movie files. Snocap has existing deals with all four major labels: Vivendi's Universal Music, EMI, Warner Music and Sony BMG.

## *Ventures/Investments*

- **Maytag, an American manufacturer of appliances, confirmed that it received a preliminary bid valued at US\$1.2 billion from a consortium that includes Haier America Trading, Bain Capital and the Blackstone Group.** Under the deal, Haier was reported to have agreed to assume Maytag's debt of US\$979 million. If the bid succeeds, it will be the most significant Chinese manufacturing corporate deal of the year, according to industry watchers. The acquisition, if completed, is expected to make Haier, already considered one of China's most international companies, the fourth-biggest player in the U.S. home appliance market. Haier owns 30 factories and eight design centers in the markets, with the overseas factories accounting for 50 percent of Haier's US\$2 billion sales last year.

## **Europe**

### *Internet*

- **T-Online, a leading Internet services provider, announced its acquisition of Spanish network operator Albura.** A unit of Deutsche Telekom, T-Online bought Albura from energy group Red Electrica for 61.5 million euros (US\$73.5 million). T-Online said the acquisition would lessen its operating profit outside Germany this year by about 15 million euros (US\$18 million). The positive impact of the acquisition would be felt on the company's earnings from 2009. T-Online has also acquired French ISP Club Internet.

### *Mobile/Wireless*

- **Vodafone said it is interested in getting a majority stake in the mobile operator Safaricom of Kenya.** At present, the state-run Telkom Kenya already possesses 60 percent of the state-owned mobile operator, with Vodafone holding the 40 percent. The British cell phone giant is interested in acquiring another 11 percent. A confidential Vodafone proposal to the Kenyan government revealed

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that it had made an initial offer of about US\$100 million, the amount offered for the 11 percent stake. Safaricom has been performing profitably and is one of the two providers of mobile phone services in Kenya. The other current provider is the privately managed Celtel International.

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