

# IRG WMR



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

***Week of 27 November - 3 December 2005***

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## Weekly Highlights

### International

#### *Internet*

- **Companies into the marketing of Internet domain names have filed two lawsuits against VeriSign and its oversight agency over a proposed extension to a contract VeriSign has with the Internet Corporation for Assigned Names and Numbers to run the main database for the ".com" suffix.** Even before the lawsuits were filed, many domain name holders and sellers had expressed concerns about giving even more influence to a company that already exerts significant control over traffic on the Internet. Web browsers and e-mail programs depend on directories that VeriSign runs to find other computers. Under the proposed deal, VeriSign could raise prices for ".com" names by 7 percent a year beginning in 2007, from the present US\$6 per name. With more than 40 million ".com" names in use, such an increase could generate US\$17 million for VeriSign in the first year. The second lawsuit, from the World Association of Domain Name Developers, accuses VeriSign and ICANN of conspiring to fix prices by essentially giving VeriSign a permanent monopoly over ".com". The lawsuits do not involve monetary damages beyond lawyers' fees but ask the court to declare the proposed settlement illegal under antitrust laws.

#### *Software*

- **Global network security appliances sales are expected to increase 21 percent within a year, according to Infonetics Research.** Even as sales showed a less impressive increase of one percent to US\$1 billion between the second and third quarters of this year, sales are expected to rise to a total of US\$6 billion by 2008. The report predicts that over the next three months, Cisco will lead the overall market with a 35 percent share, followed by Check Point (10 percent) and Juniper (8 percent). By 2008 VPN (Virtual Private Network) and firewall appliances and software will make up 77 percent of revenue, with IDS/IPS (Intrusion-Detection Systems/Intrusion-Prevention Systems) at 14 percent, followed by gateway anti-virus at nine per cent. By 2008, IDS/IPS will make up 15 percent and gateway antivirus 12 percent. Infonetics Research is an international market research and consulting firm specializing in data networking and telecom.

### Japan

#### *Internet*

- **Yahoo Japan Corp. said it has secured the rights to show movies on the Internet ahead of other online companies, a move that is expected to make its portal sites more attractive.** The firm was able to get the rights through its membership on a film production committee. On the side of movie producers, a partnership with a well funded Internet operator can assure capitalization for filmmaking and help them diversify their sources of income. Yahoo will not be involved either in script preparation or the moviemaking process, but will be the first online distributor of films after the films complete their theatrical runs and are put on DVD. Access to the movies will be limited to Yahoo subscribers and paid users of its content. The viewing fee has yet to be determined. Yahoo plans to offer various online services such as showing previews of the films and holding charity auctions. Yahoo's participation is expected to generate strong synergy for the movie industry in the form of online advertising, ticket sales and other activities.

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- **According to a survey by Daiwa Investor Relations Co., Nippon Telegraph and Telephone Corp. offers the best online investor relations services in Japan.** NTT DoCoMo Inc. placed second along with Tokyo Gas Co. and KDDI Corp. All four companies provide ample financial and other data online and are good at renewing the unique contents of their web sites, according to Daiwa IR. The survey covered 1,267 listed companies, assessing their performance in 10 areas, including the frequency in which they update their web sites and the messages on them from corporate executives.
- **Cyworld Japan Co., the Japanese arm of SK Communications Co., which operates Cyworld, announced the opening of a Japanese Cyworld site.** The firm aims to have 5 million Cyworld members in Japan after three years. To attract members, Cyworld Japan will advertise in colleges, Internet cafes and other locations where young people gather. On the Japanese Cyworld site, each member will have a dedicated minipage, and members will be able to interact with others via journals, bulletin boards and the like. Members will be able to decorate their pages as they choose. Registration will be free, but members will pay for items such as page wallpaper. The Cyworld service began in South Korea in 1999, with the popularity of the service clustered around women in their 20s. In September 2004, membership exceeded 10 million people. The Japanese version of Cyworld will feature designs and colors suited to Japanese tastes. It will be accessible via mobile telephone. Cyworld Japan said it will initially attract young women.

## *Mobile/Wireless*

- **Demand for a quick way to access corporate information is expanding as more individual investors are now buying and selling stocks through their mobile phones.** More and more companies are distributing corporate data to individual investors via mobile phone, with 46 listed firms doing so according to a survey conducted by Daiwa Investor Relations Co. in October and November. Among the firms offering this kind of service are electric appliance makers, telecommunications suppliers and food service operators -- all companies in close contact with consumers. Many of them supply product information together with business performance and financial data by automated mail delivery systems.
- **KDDI Corp. announced its move to expand its business of distributing video and music to cellular phones in order to stay ahead of the competition.** KDDI plans to begin distributing 30-minute video programs next summer in such genres as comedy, animation, music and televised shopping. It will also upgrade its provision of six-minute programs that must be downloaded late at night. The new service will be similar to broadcasting because programming can be sent simultaneously to multiple handsets. To facilitate this, KDDI will explore tie-ups with TV and radio stations, studios, and mail-order firms. In addition, the company will upgrade its music services, such as ring tone downloads, to enable users to exchange data between handsets and personal computers. It will also develop handsets capable of handling large volumes of music. KDDI handles 100 billion yen (US\$829.5 million) a year in content transactions.
- **J-Com Co., a firm which helps corporate customers market mobile phones, announced its plans to list on the Tokyo Stock Exchange's Mothers market for emerging firms.** The company's core business is detailing sales clerks to mobile phone counters at mass retailers and supermarkets after training them in customer service and providing them with information about the products they will sell. The Osaka-based firm posted sales of 4.6 billion yen (US\$38.1 million) in the year through May 2005. Despite flat growth in mobile phone subscriptions, the company forecasts a 78 percent surge in pretax profit to 500 million yen (US\$4.1 million) for the year through May 2006, on a 38 percent increase in sales to 6.4 billion yen (US\$53 million). The company plans to use 1 billion yen (US\$8.2

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million) in proceeds from the initial public offering to hire and educate staff as well as increase the number of marketing offices it operates.

## *Media, Entertainment and Gaming*

- **Tokyo Broadcasting System Inc. and Fuji Television Network Inc. announced that they have each acquired 30,000 shares in Dentsu Inc.** The purchases are seen as their efforts to strengthen cross-shareholdings between Japan's leading advertising agency, with the two television broadcasters aiming to boost cooperation with Dentsu in the fields of ads, events and Internet distribution of TV content. TBS and Fuji TV appear to have purchased the shares from Kyodo News through off-floor trading. The two broadcasters' share purchases are estimated at around 10 billion yen (US\$83 million) each.
- **TV Tokyo Broadband Entertainment Inc., a distributor of animation/character content for cellular phone, plans to go public on the Tokyo Stock Exchange's Mothers market.** The company was set up in March 2001 as a spin-off of TV Tokyo Corp., which still retains a 39.8 percent equity stake. The firm's earnings are determined by the number of subscribers to cellular phone sites and the unit price of content distributed to them, in addition to its efforts to acquire attractive content. The company plans to use about 1.4 billion yen (US\$11.6 million) in proceeds from the IPO to obtain more content. It also looks to forging capital tie-ups with firms owning desirable content. The firm is now diversifying the range of its content to include music as well as services potentially attractive to young women, even though it has increased the number of subscribers so far by relying on animation programs supplied by the TV broadcaster.

## *Hardware*

- **NEC disclosed the merging of its office communications equipment business in Europe with that of Dutch giant Philips as well as taking a controlling stake in the new company.** The said move is aimed at increasing its market share in Europe. Under the deal, NEC would take a stake of about 60 percent in the new business and Philips the remainder. The new firm would also include Philips' company communications activities in the Middle-East and Africa. NEC declined to say how much it would invest in the new company although sources said that the firm would spend up to three billion yen (US\$24.8 million) including the stock purchase. NEC is already a major player in the office communications equipment market in Asia, but it had yet to make an important presence in Europe. The latest deal, which is conditional upon regulatory approvals, is expected to be completed in the second quarter of next year.
- **Hitachi Ltd. disclosed its plan to release a mobile notebook computer that can only be operated if the user's identity is confirmed through the vein patterns of the index finger.** The PC is designed to be compatible with wireless LAN systems. The notebook employs a Celeron processor from Intel Corp and will be priced at 194,250 yen (US\$1,600).

## *Telecommunications*

- **Japan Telecom Co. said it will provide companies a set package to carry out electronic commerce.** Under the new offering, Japan Telecom will provide server equipment installed in a Japan Telecom building, software and communication lines. Software will include that for member ID management, fee assessment and the like needed to develop electronic-commerce operations. Fees for communication line and software use will be fixed, but fees for server use will be based on the actual capacity used by the customer company. Japan Telecom calculates that if a client firm uses its services over five years, the client will spend about 60 million yen (US\$498,000), which is about one-quarter the

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cost of the firm setting up two servers and employing system personnel. Japan Telecom aims to secure orders from about 100 companies by the end of fiscal 2006. The company is part of the Softbank group.

## *Semiconductors*

- **Renesas Technology Corp. said it will work with the U.S. company Grandis Inc. to develop MRAM (Magnetic Random Access Memory) for microcomputers and system chips based on a 65-nanometer process.** Grandis is developing a 65nm process for MRAM using a data-writing process known as spin torque transfer. This technology is said to be better than conventional magnetic field data writing for circuits made in smaller dimensions because it does not have the problem of erratic current flow, which can cause writing errors. Renesas will use the new MRAM technology to develop microcomputers and system chips with a 65nm process.

## **Korea**

### *Internet*

- **The National Agricultural Cooperative Federation (NACF) and Korea Post are expected to launch Internet banking service for Linux program users next month.** Korea Post, which is offering postal financial service, plans to kick off Linux-based online banking service next month when it finishes installation of Linux banking systems. For the new service, the postal service is installing Linux servers and security solutions, instead of adopting Linux emulation programs. This will allow Linux program users to receive Internet banking service without downloading an emulation program separately. The federation intends to launch commercial open source software-based Internet banking service next month when the Financial Supervisory Service gives approves the security system. Other financial services firms, including Shinhan Bank and SC First Bank, are also thinking about providing Linux-based Internet banking service next year.
- **KTH, according to industry observers, is leading the efforts to get Empas, a Korean web portal, followed by other players such as SK Communications and CJ Internet.** KTH, which operates South Korea's No. 5 portal Paran, revealed its plans to acquire the Empas. An analyst at Daishin Securities, forecasts a large-sized merger involving Empas. According to KoreanClick that specializes in the nation's Internet market, Naver is the most-visited portal here last week with a total of 22.3 million logging on to it. Daum Communications was second with 21.3 million followed by Nate with 18.4 million and Yahoo Korea with 13.1 million. Paran came in at the fifth spot with 10.1 million visitors. An Empas spokesman said the firm's major shareholders have no intention to sell their stake because they still see its great growth potential

### *Mobile/Wireless*

- **Research labs and production facilities specializing in radio frequency identification (RFID) technology are expected to be opening soon.** These new facilities are mostly designed to promote commercial applications of the wireless technology. CJ GLS opened the 'RFID Test Center' as a part of its broad RFID-based ubiquitous e-logistics system drive dubbed Eureka. The center aims to adopt RFID technology for the entire process of logistics from order taking to delivery, linking customer support, warehouse management and distribution management systems. LG Industrial Systems plans to launch volume production of RFID tags in January next year. It plans to invest up to 20 billion won (US\$20 million) in logistics tags and business models over the next 2 or 3 years, aiming to become the country's largest tag manufacturer. UCT Korea, a tech firm specializing in RFID technology, also plans



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to build a large RFID/USN technology center next year in the Seoul metropolitan region. The company aims to devote resources to the development of application solutions and active tags at the new center.

- **Korean-made mobile phones are selling well in Europe.** Samsung Electronics, using statistics from market researcher International Data Corporation (IDC), said it sold 6.2 million handsets in Europe in the third quarter this year, a 100 percent growth from last year's 3.1 million in the third quarter. With a 16 percent market share, Samsung Electronics got the second place in the western European market. Nokia was No. 1 with a market share of 36 percent. Trailing Samsung were Motorola (15 percent), Sony Ericsson (12 percent) and Siemens (7 percent). LG Electronics said it has the biggest market share in the third quarter for European-style third-generation mobile phones using the WCDMA technology, following the data from IDC. LG sold over 1 million WCDMA phones, giving it a market share of 21.3 percent.
- **LG Electronics announced that it would release PM80, a terrestrial DMB receiving PDA. LG said that the device could offer stable DMB service while users move at more than 100 km/h.** It offers 2.5 hours of continuous viewing. The device can connect to PC, allowing users to manage their e-mail lists, schedules or phone book. Users can control the channels and volume with 5-way key and watch DMB with a click of DMB/PDA key. 128MB memory and SD slot are also provided.
- **With no detailed plan coming out for TD-SCDMA service, competition is intense among handset manufacturers targeting the potential market.** Ericsson-ZTE, Alcatel-Datang, Siemens-Huawei and Nokia-Putian are gearing up for the TD-SCDMA market by developing service in collaboration with others. TD-SCDMA said that 20 or more kinds of TD-SCDMA mobile phones are under development. Samsung and LG are among the manufacturers developing such phones. The opinion is still divided on whether TD-SCDMA will succeed or not. Huawei was quoted as saying that the success of TD-SCDMA in the global market totally depends on its success in the Chinese market.
- **Qualcomm, the owner of CDMA source technology, announced that it would develop the "WIPI on BREW", which supports the Korea's wireless internet standard platform "WIPI".** The firm said it plans to introduce the solution in the market in the first half of next year. With the use of WIPI being mandatory in Korea, Qualcomm is facing difficulties in distributing its own solution "BREW" to local communications companies. Qualcomm was the first in the world to supply BREW to KTF. The then growing business of Qualcomm in Korea hit a snag when the independent platform loading was enforced. In this situation, the development of WIPI-supporting solution is expected to serve a new chance for Qualcomm.
- **According to the research firm Marketing Insight, SK Telecom serviced 51 percent of the total mobile subscribers in South Korea as of September, with KTF and LG Telecom held 32.8 percent and 16.2 percent of the market respectively.** But KTF is more often used by teenagers, with a market share of 41.9 percent for middle school students and 40.6 percent for high school students. These figures are about even with SK Telecom's in those age groups. Among handset manufacturers, Samsung's Anycall had the largest market share of 49.7 percent, followed by LG (20.3 percent), Pantech (9.3 percent), SKY (6.3 percent), Motorola (4.6 percent), and KTF Ever (4.3 percent). Those aged 40 or over indicated a high preference for Samsung's Anycall with around 55 percent using it. Pantech was more often used by teenagers and elementary students with a market share of around 15 percent. The report also showed that 72.9 percent of South Koreans use cell phones, an increase of 0.7 percent from March. Those in their late 20's used cell phones the most at 98.3 percent. Eighty-six percent of high school students have their own mobile phones. The largest growth rate was among

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middle school students with an increase of 4.2 percent to 62.6 percent. More elementary students are also using handsets than six months ago, with a growth of 2.7 percent to 12.9 percent.

- **Pantech Corp., an integrated entity of Pantech and Sky Teletech, said that it had completed merger procedures and would be inaugurated as a new mobile phone maker.** Pantech affiliates acquired Sky Teletech, a subsidiary mobile phone maker of SK Telecom, bringing the Pantech to two – Pantech Corp. and Pantech & Curitel. Industry observers anticipate sales of mobile phones at Pantech Corp. will reach 12.5 million to 13.8 million units next year, a 50 percent increase over this year. The company posted some 2.2 trillion won (about US\$ 2.2 billion) in sales value next year, up 30 percent from this year. As a division of the newly founded Pantech Corp., Sky Teletech intends to release 2.5 million to 2.8 million units of mobile handsets next year by supplying them to LG Telecom and KTF in addition to SK Telecom, its former parent company. Pantech aims to sell 10 million to 11 million units of mobile phones next year expanding overseas markets from Mexico and Russia to the United States and Europe. Observers also expect Pantech Corp. to expand overseas markets more effectively leveraging competitive handsets of Sky Teletech, while sharply reducing production costs.
- **SK Telecom Co., KTF Co. and LG Telecom Inc. announced an agreement with Samsung Card Co. to jointly offer a unified cell phone credit card payment system.** Under the new system, cell phone users will be able to make payments anywhere irrespective of their service provider. Cell phone users will be able to make credit card payments with phones fitted with a special chip. Consumers can apply for the chip from all branches of Samsung Card and over the telecom companies' web sites. The chips will be provided for free, but are only compatible with selected phone models. The cell phone service providers said that, by the end of June next year, they will have installed some 200,000 cell phone readers that will be compatible with the new payment system. The new service will also allow cell phone users to simply put their phones on the readers and punch in their passwords.

## *Media, Entertainment and Gaming*

- **Over 10 million have been sold since MP3 phones were introduced a few months ago.** All of the models produced by Samsung Electronics and Pantech & Curitel this year are MP3 phones: Samsung sells 500,000-600,000 and Pantech 220,000-230,000 of them every month. LG sells 200,000-250,000. The change in listening and storage devices has created changes for the singers and the music industry. Instead of making albums, some singers produce digital singles (albums containing one or two songs) online. The online music industry overtook the offline business last year. According to the 2005 Music Industry Almanac, the conventional music industry was worth 133.8 billion won (US\$129.1 million) but the digital music industry was valued at 201.4 billion (US\$194.3 million) in 2004, with the mobile phone music industry accounting for up to 184 billion won (US\$177.5 million).
- **The world's first land-based digital multimedia broadcasting, or DMB, service launched at the Seoul metropolitan area, with the new terrestrial service allowing people to enjoy high-quality television and radio broadcasts and access an array of information on portable devices like mobile phones and laptops.** The service is free and requires no formal subscription. Korea's four major local broadcasters — MBC, SBS, KBS and YTN — and two smaller venture companies — U1 Media and Korea DMB — will operate the service's six channels. Around 20 percent of the programming will consist of content made specifically for the new service. In addition to the television channels, 13 radio stations will be available after the launching and eight data broadcasting channels, offering information on shopping, weather, entertainment and transportation.
- **game&game, an online games portal designed by the Korea IT Industry Promotion Agency (KIPA), announced that it has launched a preview of its new Web site.** The site offers new games



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and titles not previously released for U.S. gamers by some of Korea's game developers. All games will be free for download from the game&game site, and will feature summaries, trailers and links to the developers' sites. Gamers will have the opportunity to try out a wide variety of games and interact with players around the globe - all through this new free service. Supported by the South Korean government, the not-for-profit game&game represents a variety of Korean developers, and provides an easy-to-use portal for gamers. Game selections will rotate on a frequent basis.

## *Telecommunications*

- **Korea and China agreed to strengthen the mutual cooperation to develop technologies for 4G telecommunications service.** Ministry of Information and Communication expressed that the two countries discussed ways to develop technologies for Beyond 3G telecommunications. According to the Ministry, the two countries also seek ways to share information and progress in standardization as well as to expand cooperation in the future. The two countries reached an agreement to proactively support joint R&D projects in an effort to boost cooperation in the next generation telecommunication service area. They entered a partnership to search for other research areas to work together in the future.

## **China**

### *Internet*

- **China's online gaming company Shanda Interactive Entertainment Limited announced that it adopted a free-to-play and pay-for in-game value-added services revenue model** for its top three games, of which the most popular, Legend of Mir II, produced a third of its US\$61.7 million (HK\$481.2 million) revenue last quarter. Even so, the average number of users playing the game simultaneously fell to 233,000 in the third quarter from 381,000 in the previous three months. Subscription fees make up about 60 percent of the total revenues from the games. Under the new model, while gamers benefit from being able to play the basic functions of a MMORPG for free, gamers could choose to purchase in-game value-added services, including certain in-game items and premium features, based on their own interest and purchasing power.
- **Chinacars, China's leading auto vertical portal, announced a strategic cooperation agreement with China's leading wireless Internet company Tom Online.** The companies will jointly pursue business opportunities in Content, Commerce and Community areas in China's fast growing automobile market. An initial project of this partnership will include featuring Chinacars' local portal content, its best-in-class car model database, nationwide auto e-commerce platform and its car accessory online store on Tom Online's auto channel. Chinacars and Tom Online also plan to co-develop China's used car market in the near future. China's auto penetration rate is only 2.4 percent in 2005, far below the levels of many developed countries and most developing countries. Chinacars is the leading multi-platform vertical portal in China, providing comprehensive products and services to China's auto consumers and industry value chain.
- **AlphaTrade.com, a global provider of customized real-time financial information for professional, institutional and individual investors, announced that the company has signed a long-term agreement to provide DynaTrade, Inc., a U.S. and U.K. equities trading company based in Jiangmen City, China, with E-Gate, a high-performance real-time stock market quote system.** E-Gate collects, analyzes, processes, stores, compresses and transmits the latest financial information to users. The system features the latest information on stocks, options, indices and news

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including bid, ask prices and other data on all publicly traded companies. With E-Gate, DynaTrade has access to a comprehensive and easy-to-use set of financial tools for their traders to successfully manage and monitor personal and client stock portfolios. AlphaTrade is the only company that offers modular and multi-lingual data to the millions of people.

- **China Telecom and China Netcom are seen as ready for the launching of Internet protocol television (IPTV) with analysts expecting between 500,000 and one million households to get the service by the end of the year.** Alcatel, French-based network vendor said the number could be even higher. The European firm, however, said that all this would depend on the upgrade of the existing networks to handle bandwidths of between 2 Mbps and 4 Mbps necessary for IPTV reception. China Telecom and China Netcom have undertaken small-scale trials of IPTV services in 10 provinces with Alcatel IPTV. Shanghai Media Group, the sole IPTV licensee in China, has partnered with China Telecom and China Netcom to allow them to provide the service under Chinese broadcast laws. Shanghai Media Group now offers 60 channels and more than 5,000 movies on demand. The group expects it will provide 100 channels soon. Shanghai Media Group plans to launch an IPTV service in Minhang district and the Pudong New Area in December. Alcatel expects 72 million IPTV users by 2010 as fixed-line operators upgrade telephone networks.
- **Tencent Holdings, the mainland's largest instant message service provider under the brand name QQ, clarified that it has no plan to sell out to the foreign originators of such services like Yahoo or Microsoft MSN.** The statement should be viewed in the context of the mainland internet industry undergoing a consolidation this year. Tencent has more than 184 million QQ users. It revealed its plans to strengthen its services and increase advertising revenue. The company partners Google on the basic search technology and will bundle it with a self-developed vertical search to listing items on the online market place, blog and bulletin board content. Tencent said it will boost its gaming service in the next two to three years, the second-largest market by users in China, just behind the mobile phone value-added services. Tencent's huge user base attracts international advertising clients such as Philips, Sony, Nokia and Motorola.
- **Tom Online Inc., China's leading wireless Internet company, entered an agreement that will make Intel China Ltd. the key platform provider for the launch of the Intel i-Cafe Music Studio in the city of Zhengzhou in Henan province.** The Internet cafe in Zhengzhou will be equipped with Intel's digital home entertainment technologies that will enable musicians to upload their music directly onto Tom Online's Internet music platform called Wanleba and get access to a larger audience through Tom.com. The songs can be streamed to listeners over the Internet, and also downloaded as ring tones for mobile phones. The Zhengzhou Intel i-Cafe Music Studio is the first of 13 such venues to be opened across China where the public can go to record their own music using Intel's home entertainment music platforms.
- **Sohu.com Inc. announced the launch of Sogou Version 2.5, a new product upgrade for Sohu's proprietary search engine, Sogou.** The newly upgraded Sogou 2.5 will increase its search database to two billion retrieved pages and 800 million indexed pages three weeks after the launch. This will make Sogou 2.5 the largest Chinese language search database in the world. Sogou 2.5's technology also triples its page crawling speed and improves the speed of page updates to 100 million per day. According to Sohu's internal reports, Sogou traffic registered a 50 percent growth in the third quarter ended Sep. 30 this year over the previous quarter.

*Media, Entertainment and Gaming*

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- **Broadcast International (BI), a provider of video-powered business solutions, announced that it has signed a Letter of Intent with Sun New Media Inc. (SNMI), a leading multimedia publishing and interactive marketing company in China.** SNMI would implement BI's technology of CodecSys in China through its affiliates and customers. The CodecSys compression technology provides enhanced video at current bandwidths or reduces the cost of bandwidth while maintaining quality. BI will provide infrastructure for SNMI's American media opportunities and utilize SNMI's GoGoSun technology for delivery of interactive messaging and e-publishing products in providing services for BI's enterprise customers in the U.S.
- **Focus Media Holding Ltd., China's largest out-of-home advertising network operator, announced that its commercial location network covers, on an average, 82 percent of the top 100 commercial buildings in China's ten most important cities.** The data came from a Nielsen Media Research study on China's out-of-home LCD advertising market. The top 100 commercial buildings were surveyed in cities including Shanghai, Beijing, Guangzhou, Shenzhen and Tianjin. The study showed that in Beijing and Shanghai, the outdoor LCD penetration rate of the top 100 commercial buildings had reached 88 percent and 91 percent respectively, while Focus Media covers 81 percent of the top 100 commercial buildings in Beijing and 86 percent of the top 100 commercial buildings in Shanghai. Focus Media operates China's largest multi-platform out-of-home advertising network using audiovisual display units and in-elevator poster frames.

## *Mobile/Wireless*

- **Guangdong province, in the first ten months of 2005, announced the export of 38.9 million sets of mobile phones, a rise of 16.4 percent compared with the same period last year.** Although the export volume of mobile phones increased, the average export price of each mobile phone fell by 13 percent in these first ten months from US\$86 to US\$73 per set. The value of the exports registered a 1.9 percent increase to US\$2.9 billion.
- **Nokia announced the expansion of its mobile phone factory in China to meet growing demand for handsets in Asia.** The world's largest mobile phone maker said it would start expanding the factory in Dongguan in the third quarter of next year. The expansion would cost about US\$14 million, with the production increased gradually, as well as the work force, which would grow by 800 to 1,900, according to Nokia. The company did not say how much production would increase although it mentioned how increasing capacity in Dongguan will help Nokia to improve its competitive position in the fast-growing Chinese and Asian markets. Nokia currently has nine mobile device factories worldwide. Another plant in India is planned to begin operating in the first half of next year.

## *Hardware*

- **Lenovo Inc. said it has signed an agreement with China Mobility Solutions Inc. (CHMS) to sell CHMS's mobile email systems under the Lenovo brand name through the PC manufacturers' distribution channels in China.** The company disclosed that this mobile email system is a "unique 'push' technology that automatically delivers e-mail to a recipient's cellular phone without it having to be retrieved.
- **China has become the largest supplier of computers to New Zealand, according to the data from Statistics New Zealand.** China accounts for 9 percent of the total exports from China to New Zealand. Computers have overtaken textiles and become the largest group of export commodities from China to New Zealand since 2003. Between July 2004 and June 2005, China exported US\$230 million worth of computers to New Zealand, a figure that represents a 50 percent growth compared with the same period last year and four times of the same period in 2001.

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## *Semiconductors*

- **Actions Semiconductor**, a Chinese manufacturer of chips used for portable media players, said it sold nine million American depositary shares at the low end of its US\$8 to US\$9 range set by underwriter **Credit Suisse First Boston**. Actions earned net income of US\$53.7 million in the first nine months of this year, compared with US\$9.8 million in the same period of last year. Actions is the second Chinese semiconductor company to go public in the United States this year. The firm is in a highly competitive market and is the subject of a patent-infringement case filed by United States competitor Sigmatel. A top official of the company, however, said the lawsuit was not a great concern for Actions as they look forward to American companies appreciating more the lower costs and higher margins associated with doing business with Chinese firms.

## *Telecommunications*

- **CEC Telecom Co. Ltd. (CECT)**, a manufacturer and distributor of telecommunications products and subsidiary of **Qiao Xing Universal Telephone Inc.**, announced that they will meet their forecast target of a net income of US\$24 million for the whole year of 2005. This figure is 60 percent more than that in 2004. An official of the firm said they might even exceed the targeted net income. For the first nine months this year, CECT recorded, on an unaudited management account basis, sales of US\$170.3 million, gross profit of US\$24.6 million and income before taxes of US\$19.8 million. The gross profit and income before taxes went up by 91 percent and 104 percent respectively, compared with the same period last year.

## **Taiwan**

### *Internet*

- **Global IP Sound (GIPS)**, the leading provider of embedded voice-processing solutions for the Voice over IP (VoIP) market, announced that its **VoiceEngine Embedded technology** is the crucial element in the newly introduced **FreePP VoIP service** from **Gemtek Technology**, the world-leading provider of wireless broadband solutions. GIPS VoiceEngine technology provides the voice quality underpinnings across multiple platforms for the FreePP service. FreePP offers global P2P (peer-to-peer) VoIP products and services over different systems and platforms. Global IP Sound develops embedded voice processing technologies for real-time communications over packet networks. GIPS SoundWare(TM) provides better than PSTN voice quality and fidelity in end-to-end IP communications with robustness against packet loss. Gemtek Technology is the world-leading provider of wireless Broadband solutions, with headquarters at Hsinchu Industrial Park, in Taiwan.
- **Ennyah Technologies**, a Taiwanese consumer electronics manufacturer, announced its plans to set up a city-wide Wi-Fi phone network in Taipei. The company said it will rent out dual mode Wi-Fi and GSM phones for a flat rate of about US\$33 per month, which will include unlimited international calls. The company also offers lower priced Wi-Fi-only handsets starting at around US\$16 per month. The handsets are supplied together with a wireless access point to ensure that they will work at subscribers' homes or offices. The handsets connect directly to the Internet over standard Wi-Fi links, without requiring a PC as an intermediary, using the accepted Session Initiation Protocol (SIP) standard to set up VoIP (Voice over Internet Protocol) phone calls. Ennyah's voice service, dubbed Wi5, is already being tested and the company will phase in operations during the next few months. Taipei's city government is currently rolling out a network of 5,000 to 10,000 wireless access points. Hutchison Global Communications (HGC), based in Hong Kong, will carry the calls over its

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international fiber optic network. While all international calls will be carried free, local calls that connect to landline or mobile phones will be charged initially.

## *Telecommunications*

- **Chunghwa Telecom, Taiwan's leading telecom operator, said it would aim to attract one million subscribers for its three-generation (3G) mobile phone service by the end of next year.** Chunghwa Telecom had originally targeted a 3G clientele of between 500,000 to 600,000 by end of next year. Since its introduction of the 3G service in July, Chunghwa Telecom has some 280,000 3G mobile phone subscribers, compared with the company's end-this year goal of 100,000. The company now has a total of 8.1 million mobile subscribers accounting for about 40 percent of Taiwan's mobile phone market. The figure includes those using the 3G service. A Chunghwa top official said the local 3G mobile phone market remained shadowed by relatively high phone set costs and a limited variety of phone models, a situation expected to improve when lower-priced models are launched in the local market next year.

## *Hardware*

- **Merck Display Technologies (MDT) said it would start liquid-crystal production in the first quarter of next year.** Merck's Taiwan unit disclosed its completion of the construction of a liquid crystal center in the northern Taoyuan county last month, which is part of a NT\$900-million (US\$26.8 million) project launched 18 months ago. Liquid crystal is a key component in flat panel displays which are used in computer displays, mobile phone sets, digital cameras, personal digital assistants and global positioning systems. Taiwan is now the second-largest flat panel display manufacturer in the world following South Korea. Taiwan's flat panel display output was NT\$715 billion (US\$21.3 billion) last year, up 72 percent from 2003. The production value for this year is expected to reach NT\$950 billion (US\$28.3 billion). Merck is a wholly owned subsidiary of German-based Merck KGaA in Taiwan.

## **Hong Kong**

### *Internet*

- **Hong Kong Broadband Network announced yesterday that it would offer broadband and pay-television services contract-free to new subscribers to boost its customer base to more than a million by the end of next year.** The move came a week after parent company, City Telecom (HK) (CTI), reported losses of HK\$206 million (US\$26.5 million) and admitted its debt was bigger than its market capitalization. Hong Kong Broadband also told shareholders to be prepared for two more years of losses due to rampant competition in the market. Industry observers say the move implies that Hong Kong Broadband will keep its price at the lowest level, an assurance that could bring in more users.
- **Hong Kong's satellite and pay-television operators were reportedly upset by a government plan to issue wireless broadband permits next year.** The operators see the issuance of permits as an interference from the Internet technology could have a negative impact on satellite transmissions and affect more than two million households. In response to a consultation on BWA licensing, Star Group told the regulator that ongoing technology trials have already disrupted its satellite operations. Star, which receives and transmits TV content from its satellite dishes in Hung Hom, Stanley and Tai Po, said signal clutter had interfered with its operations on at least four occasions in the past year. A group of 13 industry operators that include pay-TV providers i-Cable Communications and PCCW said that their ability to downlink content could be affected.



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## *Telecommunications*

- **New World Telecom announced its plans to bid for one of six broadband wireless access (BWA) permits the telecom regulator intends to auction in the second half of next year.** New World Telecom said that if it is able to secure a license, it would spend about HK\$1 billion (US\$129 million) to build a network of 500 base stations to cover 13 districts in Hong Kong in the initial stages. The firm said it would build 1,000 stations all over Hong Kong within two years of winning a license. The firm also expressed interest in broadband wireless technologies such as WiMax. Last week, 13 operators banded together to oppose the government's plan to issue BWA permits, saying the regulator should first review its spectrum policy and draft new rules to deal with the converging fixed and mobile services. The Office of the Telecommunications Authority (Ofa) said it planned to hold a third round of consultation before issuing the licenses. New World Telecom has objected to any delay. At present, the company connects to households through Type II interconnection arrangements with dominant carrier PCCW, which are expiring in mid-2008.

## *Mobile/Wireless*

- **The listing of Hutchison Whampoa's third-generation (3G) mobile network in Italy will be delayed until the first quarter of next year as the company needs time to integrate a newly acquired Italian digital television service into the business plan.** Originally 3 Italia had been scheduled to list in Milan by the end of this year but the application was still being processed by the Italian regulatory body Consob and Borsa Italiana when the company acquired Channel 7, a nationwide digital network licensee at the weekend. The Hong Kong stock exchange has already approved the deal, which sources said aimed to raise €2.5 billion (US\$3 billion) from the sale of up to 25 percent of the Milan-based company. Channel 7 has been acquired from the Profit Group. No terms of the deal have been disclosed. The TV station holds a network license to broadcast a digital terrestrial service, which means that 3 Italia will be able to provide a digital video broadcast-handheld network to its 4.8 million customers by the second half of next year, and allow the company to develop pay-television and interactive services.

## *Media, Entertainment and Gaming*

- **Venture capitalists expressed interest to invest in digital entertainment start-ups because of its increasing popularity of broadband services in the region, according to the Hong Kong Cyberport Management.** The firm noted how the digital entertainment industry, online gaming, advertising platforms and other media distribution channels present many new business models for start-up companies in Hong Kong. It mentioned how global venture capitalists such as IDG had budgeted more than US\$450 million for mainland investment this even as it cautioned about online gaming where there was a risk of over-investment because of fierce competition. Game developers need to focus on building a sustainable business model especially because the government has singled out the development of digital entertainment and the support it is willing to give to the industry.

## **Singapore/Malaysia/Philippines/Indonesia**

### *Telecommunications*

- **Singapore Telecommunications said it would streamline its business structure to strengthen the company's operations at home and in the Asian region.** Under the revamp, two new chief executive positions would be created to oversee the domestic and foreign markets respectively.



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Together with the head of Optus, SingTel's Australian subsidiary, the three top executives will report to the president and chief executive Lee Hsien Yang who will assume the newly created title of SingTel Group chief executive in February next year. In the same statement, SingTel also announced Optus chief executive Pat O'Sullivan would leave in early next year after tendering his resignation. He would be succeeded by Jeann Low, currently the executive vice president for strategic investments. Chua Sock Koong, the company's chief financial officer, will take on the additional role of chief executive international while Optus managing director Allen Lew will return to oversee the local market.

## *Internet*

- **In a partnership with the Civil Aviation Authority of Singapore, Main board-listed MediaRing Limited (MediaRing) announced the launch of its "MediaRing Global Talk" VoIP lounges and VoIP telephone service at Singapore Changi Airport.** With this launch, Singapore Changi Airport will become one of the first airports in the world to offer high quality, budget VoIP international calls for its passengers. MediaRing, the number one pure-play VoIP telephony service provider in Asia, will offer this new service through its two newly designed MediaRing Global Talk Lounges. These lounges, with a total of 23 individual VoIP booths, are located at the Departure/Transit lounges of Singapore Changi Airport's Terminal 1 and Terminal 2.

## **United States/Canada**

### *Internet*

- **Microsoft announced a product it is developing, code-named Fremont, that is expected to provide competition to firms like Craigslist.** With the move, Microsoft becomes the latest company to capitalize on growing consumer interest in buying and selling practically everything on the web. The company also is developing ways that people can limit who can see their ads, such as by offering goods only to people on their messenger "buddy list". The service will enable users to limit sales to those attending the same university or working at the same company, based on e-mail addresses. The service integrates Microsoft technology for geography-based searching, which means that people could hunt for items that are for sale in the immediate area.

### *Mobile/Wireless*

- **Verizon Wireless said it has signed on as the first mobile carrier that will offer a broadcast TV network for mobile phones that Qualcomm plans to launch late next year.** The companies did not reveal what programming might be featured over the MediaFLO (For Link Only) system, which will be broadcast to mobile phones over a different portion of the wireless spectrum than mobile calls and data services. In other countries, mobile operators already feature TV from a separate wireless network, using technologies from Qualcomm rivals such as Nokia and Samsung. When it first announced MediaFLO, Qualcomm said the service was likely to feature a choice of live TV channels similar to those offered via cable TV. However, the company has declined to say whether it has entered into an agreement with content companies to offer specific channels or networks. The network is being designed to deliver as many as 20 live streaming video channels and 10 audio channels, as well as short video clips, across most of the nation using wireless licenses owned by Qualcomm. Verizon Wireless is a joint venture between Verizon Communications and Vodafone Group of Britain. Cingular is owned in partnership by AT&T and BellSouth.

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## *Media, Entertainment and Gaming*

- **TiVo said it registered a narrower loss for the third quarter and warned even as it warned that its fourth-quarter loss would be between US\$17 million and US\$22 million.** For the three months to October 31, the pioneer of digital video recorders lost US\$14.2 million, a 46 percent improvement over a loss of US\$26.4 million in the year-earlier period. Revenue went up to almost 30 percent to US\$49.6 million from US\$38.3 million in the quarter last year. In the second quarter, the company reported its first ever profit of US\$240,000, but the company has forecast future quarterly losses as it plans to increase sales and marketing efforts to increase subscription. For the third quarter, TiVo acquired 434,000 new subscribers, compared with 419,000 in the year-ago period. A large portion of those new accounts, 379,000, were from DirecTV satellite TV subscribers, instead of consumers who purchased TiVo's standalone DVRs.

## *Semiconductors*

- **Intel announced its first list of companies whose products are expected to work with the chip maker's upcoming Viiv entertainment PC platform.** About 40 companies that develop TV, movie, music, gaming and photo-editing products are testing and verifying services, programs and gadgets that will interact with the Intel technology. Participating companies include Afendis, LoveFilm.com, British Sky Broadcasting, MovieLink, Telecom Italia, VirginMega, Ubisoft Entertainment, Adobe Systems, Ulead Systems and Sonic Solutions. The goal of the Viiv label was to avoid consumer confusion and questions over interoperability. It also will ensure the products will work when the PC is being controlled from a distance via a remote control. Digital video recorder pioneer TiVo plans to use the technology to make it simple not only to transfer from TiVo set-top box to a Viiv PC but also allow for the transfer of shows on the PC to a TiVo. Viiv is expected to make it easier to move the content to a DVD or handheld player.

## **Europe**

### *Mobile/Wireless*

- **France's three mobile telecommunications operators were asked to pay a record fine for five years of market collusion.** The Competition Council ordered Orange, SFR and Bouygues Telecom to pay a cumulative €534 million (US\$625.6 million) for what the council called "particularly serious" practices that had negative impact on the economy. France Telecom's Orange unit is to pay €256 million (US\$300 million), Vivendi's SFR division €220 million (US\$257.7 million), and Bouygues Telecom, €58 million (US\$68 million). A director of the consumer group UFC-Que Choisir said it might also pursue the three operators in court for civil damages on behalf of their customers. In a 90-page ruling, the Competition Council found the operators had, between 1997 and 2003, exchanged confidential information regarding the number of new customers and cancellations. Between 2000 and 2002 they had fixed their respective shares of the market. The collusion provided Orange, SFR and Bouygues Telecom with "relative medium-term stability". Orange announced early on Thursday it would appeal the fine.

### *Internet*

- **Prudential, a British insurance group, revealed its bid to purchase the minority 21.7% stake of online banking arm Egg.** The offer valued Egg at 973 million pounds (US\$1.6 billion) and represented a premium of 15 percent to the bank's closing share price, one day prior to the announcement. The insurer added that buying the minority Egg stake would help it achieve 40 million

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pounds (US\$69.3 million) worth of annual cost savings by the end of 2007. A Prudential official said the acquisition would lead to substantial cost savings. Egg registered more than three million young affluent consumers.

## *Telecommunications*

- **Apax Partners Worldwide and Kohlberg Kravis Roberts & Co are leading a group of private equity firms, which includes KKR, Permira Advisers, Blackstone Group and Providence Equity Partners, that has agreed to buy TDC, Denmark's largest telephone firm, for 76 billion kroner US\$12 billion).** Private equity firms are attracted to TDC because of the cash flow it generates and international units that can be sold. TDC had operating cash flow of 7.1 billion kroner (US\$1.1 billion) in the first nine months this year. The firm has a market value of 71.8 billion kroner (US\$11.2 billion). TDC has expanded into countries outside the Nordic region including Switzerland, Germany, Poland and Lithuania to make up for slowing growth at home. These holdings constitute divestible assets for a buyer. Sales at TDC's Swiss unit made up 20 percent of sales in the third quarter while revenue from its international businesses made up 50 percent. To further boost its internet offering, TDC bought Sweden's Dotcom Solutions and in May agreed to buy Ascom Holding's network integration business in Switzerland to expand its services for corporate customers.
- **Following a court ruling, Deutsche Telekom could not go ahead with plans to reintegrate separately listed Internet arm T-Online until objections from shareholders were settled.** T-Online issued a statement saying it would appeal the ruling by the regional court in Darmstadt. T-Online had asked the court to allow its merger with Deutsche Telekom to be completed despite objections from some shareholders. The majority of T-Online shareholders had given the go-ahead to the reintegration of the company into Deutsche Telekom in April but a number of shareholders opposed the terms of the offer. Deutsche Telekom wants to have the merger so as to combine Internet and telecom services to customers.

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