

# IRG WMR



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

**Week of 19 February - 25 February, 2006**

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## Weekly Highlights

### International

#### *Mobile/Wireless*

- **According to the GSM Association, the body behind the EMH or Emerging Market Handset to provide low-priced handsets to developing countries, announced during the 3GSM World Congress that Motorola has sold or received orders for 12 million low-priced cell phones.** The Pantech Group said it is set to join also the low-priced market segment within this year and the company is considering possible use of solutions made by Infineon. According to Texas Instruments (TI) the total cost for ultra-low-cost handsets will edge down to US\$15 and TTP Communications recently announced a reference design for cheaper-than-US\$20 cell phone. Strategy Analytics, a market research firm, announced more than 150 million ultra low-cost handsets costing less than US\$40 wholesale are expected to be sold worldwide in 2010.
- **Industry observers predict that mobile TV will be leading the growth of mobile handset, application, contents and mobile service markets.** Catering to the trend, Samsung Electronics and LG Electronics already introduced mobile handset supporting all the mobile TV standards around the world. Among the standards, DVB-H seemed to be the most popular one. Sony-Ericsson collaborates with Nokia in the area while Nortel unveiled Mobile Broadcast-Multicast Subsystem. Samsung and LG also plan to roll out DVB-H enabled handsets to meet the demands from European wireless carriers.

#### *Media, Entertainment and Gaming*

- **According to a new study from ABI Research, the video game market is seen as expand from US\$32.6 billion in 2005 to US\$65.9 billion in 2011.** The research firm ascribes this growth to fast-growing online and mobile gaming segments. The study said the market's largest segments composed of console, PC and handheld hardware and software will remain significant, although they will see much lower growth rates than the emerging segments. The online gaming market, comprised of console, PC and handheld Internet gaming, will grow at a 95 percent annual rate for the forecast period. Online console gaming, PC casual web gaming and Massively Multiplayer Online (MMO) gaming are going to post strong overall growth as gaming software title distribution, gaming multiplayer and community services and online gaming-related content sales help propel this market. Mobile gaming is set to see significant growth through 2011. Recent efforts by mobile gaming giants to develop an open gaming architecture in order to reduce development fragmentation will open the doors to more content for consumers and overall higher revenues for game downloads. The study notes that gaming has become a mass-market entertainment industry on a par with TV, movies and music, with segments such as video game advertising, set to become a market worth close to US\$3 billion by 2011.

#### *Hardware*

- **According to Gartner, worldwide server shipments of servers across the globe, saw a 12.7 percent rise last year, a growth it ascribed to companies favoring less expensive systems for their computing needs.** The growth saw revenues increase by 4.5 percent to US\$51.6 billion. The trend shows also the continuation of a trend toward servers based on commodity from Intel and Advanced Micro Devices that are often run the freely distributed Linux operating system. High-end servers running on the Unix operating system posted a 5.3 percent decline and a small 0.5 percent increase in revenue. Gartner said IBM is still the No. 1 server vendor in terms of revenue, placed at US\$16.6 billion, followed by Hewlett-Packard, with US\$14.6 billion. Dell posted US\$5.4 billion and

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Sun Microsystems US\$4.95 billion to occupy the No.3 and No. 4 slot respectively. In terms of unit shipments, HP grabbed the lead in unit shipments with about 2.1 million servers. Dell's 1.7 million, IBM's 1.2 million and Sun's 342,457, trailed HP.

## Japan

### *Mobile/Wireless*

- **Software developer Cybozu Inc. announced that it begin its mobile phone operations in summer, when the company will begin test services as an MVNO (Mobile Virtual Network Operator).** To do this, the company will provide services by making use of the equipment and lines of existing mobile phone and PHS (personal handyphone system) companies. Cybozu said it will develop mobile phones that can use its e-mail, bulletin board and other groupware, and will provide the phones to businesses. In preparation for its entrance into the market, the company has formed a business and capital partnership with Yumemi Inc., a developer of software for mobile phones. Cybozu acquired a 14 percent stake in Yumemi for 105 million yen (US\$898,000) through a private placement of new shares by Yumemi at the end of January. Cybozu will entrust to Yumemi the development of software to operate groupware via a mobile phone. Cybozu disclosed that it is presently negotiating with two mobile phone service providers for leasing of equipment and lines.

### *Media, Entertainment and Gaming*

- **About 70 major cable TV operators across Japan announced their move to jointly work on transmitting high-definition television programs through shared fiber-optic lines, a move expected to cut distribution costs.** They will also make joint investments to produce their own content. By collaborating beyond regional borders, the partners intend to better compete with Nippon Telegraph and Telephone Corp. and the Kansai Electric Power Co. group, which have recently begun broadcasting services covering wide areas over fiber-optic lines. Among the participants in the project will be 49 cable operators, including 18 firms affiliated with Jupiter Telecommunications Co. as well as its communications Inc. and Kintetsu Cable Network. About 20 companies, including Himawari Network, affiliated with Toyota Motor Corp., are also considering joining. The combined services are expected to cover about 70 percent of the 5 million Japanese households with access to multichannel cable TV programming. The participants will jointly use fiber-optic lines leased by Japan Digital Serve linking Tokyo, Nagoya and Osaka, to which each cable TV operator will connect their respective lines. By increasing the number of cable firms using the fiber-optic lines from the current 18 affiliated with Jupiter Telecommunications, line-usage fees will likely fall. Cable TV firms now provide subscribers with TV programs they receive via satellite from production companies.
- **Nippon Television Network Corp., Japan Telecom Co. and the East Japan Railway Co. group announced that they would start a joint experiment to air TV news inside trains.** The experiment will take place on weekdays on JR East's Keihin Tohoku/Negishi lines, spanning from north to south from Saitama to Kanagawa prefectures through Tokyo. The news to be aired in the test, which will originally cover Nippon Television's news-only satellite and other broadcast programs, will last about 90 seconds and air at 15-minute intervals. The service will include news flashes in the event of major news. Japan Telecom will transmit the news to monitors inside trains via wireless LAN (local area network) devices installed at JR East stations. The partners plan to begin commercial operations from around July this year.

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- **Fuji Television Network Inc. is expected within the week to finalize the terms for publicly offering around 50 billion yen (US\$427.7 million) in five- and seven-year straight bonds.** The issuance would be the television broadcaster's first public straight bond offering. The company plans to use the money to build more studios and make strategic investments in information technology firms. Fuji TV has already established bond shelf registrations worth 100 billion yen (US\$855.4 million) for the two years from November 2005. Its credit rating is assessed at AA- by Rating & Investment Information Inc. With interest rates expected to start rising, Fuji TV intends to check future interest payment increases by raising money through corporate bonds and other vehicles that offer long-term fixed rates. In a separate report, Fuji Television Network Inc. appears to have been left with no option but to retain its stake in Livedoor Co., even though Livedoor is now likely to be delisted from the Tokyo Stock Exchange's Mothers market following the re-arresting of former Livedoor Present Takafumi Horie and others on suspicion of inflating earnings. Fuji TV's latent loss on its Livedoor shareholdings came already to 34.4 billion yen (US\$294.3 million).

## *Internet*

- **In what is known as the first case of a large number of Livedoor shares being bought since the breaking of the scandal at the Internet services firm, funds ascribed to U.S. investment advisory firm Scion Capital LLC were said to have been used to acquire 57.9 million shares in Livedoor Co.** Scion Funds spent a total of 9.2 billion yen (US\$79.2 million) to purchase the shares. Company record in its web site show Scion Capital's assets under management exceeding US\$750 million. The California-based firm invests mainly in natural resources stocks, including a Canadian mining firm and an American coal company.
- **Internet Initiative Japan Inc. (IIJ) said it will launch in April a call-center construction service jointly with Cisco Systems KK and Hewlett-Packard Japan Ltd.** The new service will be developed through Net Care Inc., an IIJ subsidiary that subcontracts call-center operations. By using IP (Internet Protocol) communications networks, it is expected to reduce operating costs by around 30 percent. Call centers have traditionally used switchboards for routing incoming telephone calls at each location. In addition, different networks handle voice and data traffic. By converting voice traffic to IP format, the three companies will remove the need for switchboards and enable voice and data communications networks to be unified. Switchboard functions will be taken over by HP Japan servers installed at Net Care facilities. The elimination of switchboards is expected to help in cutting the time needed to open a new call center by around one month. With many call centers looking to upgrade switchboard-based systems; the three firms plan to focus marketing efforts on companies having 100 or fewer operators. The company said it predicts sales of 1 billion yen (US\$8.5 billion) over five years.
- **Softbank Corp. said it will work jointly with South Korean "citizen journalism" web site operator OhmyNews in the setting up of a Japanese version of the online news service.** Softbank said it has already invested some 500-700 million yen (US\$4.3 million-6 million) into the Seoul-based company in a recent third-party share allotment, securing an equity stake of just over 10 percent. The Japan-based joint venture, to be set up in March, will be likely 70 percent owned by the South Korean firm and the remainder by Softbank. Within the joint venture, Softbank is seen as investing again 500-700 million yen (US\$4.3 million-6 million). OhmyNews was launched in 2000 and publishes about 300 articles a day on its free web site. It has 80 full-time reporters and more than 40,000 so-called citizen reporters. Its reporters are given the same access to government offices as journalists from more traditional media. Softbank will have no involvement in determining the content of the Japanese site. The company said it will make sure that news already being distributed through the portal site of affiliate Yahoo Japan Corp. will not compete with content supplied by OhmyNews.

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- **The Tokyo Stock Exchange initiated the final steps toward delisting Livedoor Co. and affiliate Livedoor Marketing Co. in light of fresh charges that former executives of the Internet services firm manipulated financial statements for fiscal 2004, with prosecutors serving notice former Livedoor President Takafumi Horie and three others with the new arrest warrants.** They are believed to have misrepresented a 2004 acquisition of publisher Money Life in a bid to boost the share price of affiliate ValueClick Japan Inc., now Livedoor Marketing. The TSE will officially delist the companies based on Livedoor's submission of a revised financial statement, the Securities and Exchange Surveillance Commission's criminal complaint, or the charges brought by the Tokyo District Public Prosecutors Office.

## *Hardware*

- **Polatechno Co., a manufacturer of polarizers mainly for use in LCDs, plans to go public on the JASDAQ Securities Exchange.** A polarizer is an ultra thin plastic film that makes displays easier to see by allowing light oriented only in a certain direction to pass through. The Niigata Prefecture-based company specializes in polarizers for 12-inch or smaller LCDs, holding a nearly 50 percent share of the market for small and medium-size film. It also supplies polarizers for projectors, controlling 70-80 percent of that market. It is currently moving forward with the production of LCD projector components and dyed polarizers, a new type of product that features high durability. In addition to domestic plants, it has manufacturing affiliates in the Netherlands, China, Taiwan and the U.S. The company expects consolidated pretax profit to increase 29 percent to 4.4 billion yen (US\$38 million) for the year through March, partly owing to robust sales of new projector components released in the second half of the current year. The company expects to raise some 4 billion yen (US\$34.4 million) and intends to use the fun in part to upgrade the output capacity of its Taiwanese joint venture and other plants. Nomura Securities Co is the lead manager for the IPO.

## *Software*

- **J's Communication Co., a Japanese network security solution company, said it has received approval to list on the Osaka Securities Exchange's Hercules Market.** The company will offer 1,900 shares to the public in its initial public offering. Of those, 1,180 are newly issued shares and 720 are shares currently held in private. The company will conduct a book-building for the IPO shares. The company will offer all the shares through the book-building method. Daiwa SMBC Securities is the lead underwriter of the offer.

## *Telecommunications*

- **IDC Japan, a research firm, forecast that the market for fixed-line communication services, including voice, dedicated lines and data services, will diminish by 0.3 percent a year on average from 2006 through 2010.** According to a survey, the market for non-wireless communication services grew 1.7 percent in 2005 to 6.4 trillion yen (US\$54.7 billion), but it is expected to go down to 6.2 trillion yen (US\$53 billion) by 2010. Of this, the data market is seen growing at a 9 percent average annual rate to 2.7 trillion yen (US\$23 billion) as firms increase capital spending to shift from dedicated lines to less expensive alternatives such as IP-VPN (Internet Protocol virtual private networks). However, the company's analysis reveals that the decline in voice and dedicated line services will slightly exceed growth on the data side as individual users opt for cellular phones while companies shift to IP telephony. As a result, these markets are projected to shrink 23 percent to a combined 3.1 trillion yen (US\$26.5 billion) in 2010.
- **An advisory panel formed to look into Japan's telecommunications industry said the Nippon Telegraph and Telephone Corp. group's business structure must be reviewed comprehensively**

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**to promote competition in the telecommunications industry.** The private panel is now expected to look into NTT's obligation to provide universal service obligation, as well as the possibility of spinning off its R&D operations. These two issues are considered hindrances for the next round of the NTT group's reorganization. Under current law, NTT, as well as its regional phone carriers NTT East Corp. and NTT West Corp., are designated as special companies obliged to provide universal phone service and conduct basic research on telecommunications technologies. Panel members agreed that the universal phone service obligation needs to be reviewed because telecommunications are expected to be increasingly provided over broadband networks. A consensus was not reached, however, on the issue of whether the NTT group should be assessed a similar universal service obligation for fiber-optic and other next-generation telecommunications networks.

## Korea

### *Internet*

- **Samsung Electronics announced that it would provide TPS or Triple Play Service to Portus, Croatia's second largest fixed-line operator.** TPS is the next generation fixed-line service combining telephony (VoIP), high-speed Internet TV (IP-TV) through a single broadband network. The technology is seen as having the biggest potential as the future profit maker. Under the deal, Samsung and Portus will offer high-speed TPS using ADSL2+ that will enable a transmission rate of 24 Mbps, 3 times higher than ADSL from the next year. To achieve this, Samsung said it will provide Portus with 60 billion won (US\$61.8 million) worth next-generation network facility for the next two years. The equipment and devices provided by Samsung include Softswitch, Trunk Gateway, IP-Settop box, broadcasting server and VoIP terminal.
- **The number of Koreans reporting that their identity had been stolen for strangers to sign up with the online game Lineage surged from 1,200 on Monday to over 60,000.** The game's operator, NCsoft Corp. and the government came up with emergency measures to prevent any worsening of the cyberspace crisis, with the company saying it would adopt a new signup system that would require people to enter their mobile phone numbers along with resident identification numbers. The site will send "certification numbers" to mobile phones and users will be required to type the multi-digit number on the web site for user verification. The new system is seen as allocating only one account to one individual even as the company has yet no plans to change its policy of requiring players to sign up with their government ID numbers. Responding to the problem, the country's Ministry of Information and Communication said it would form a task force this month to try to force Internet firms to adopt one of several means of online identification that would replace the resident registration numbers.
- **Softbank announced its plans to set up a firm that will oversee the production and distribution of the next generation contents like IPTV and DMB.** The release mentioned that Softbank Korea would join in the issue of new shares worth 18 billion won (US\$18.5 million) of Ottowintech listed in KOSDAQ and take over the right of management in cooperation with Bae Young-joon and Interactive Media Max (IMX). The company to be launched will carry the name KeyEast. The company said the establishment of KeyEast is aimed at building a new channel to online and mobile to distribute and merchandize new contents. In KeyEast, Bae Young-joon will invest 9 billion won (US\$9.2 million) making the popular entertainer the largest stock holder with 37.5 percent share, and leaving Softbank 3 billion won (US\$3 million), IMX 1 billion won (US\$1 million) and the existing stock holders 5 billion won (US\$5.1 million). Softbank said Bae Young-joon will not participate in management of KeyEast.

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- **KT announced that the launching next month of WiBro test service in four districts in Seoul, Shinchon, Gangnam, Seocho and Bundang, in a bid to attract young-generation users and tech firms.** KT said it plans to provide some 3,000 units of devices used for the wireless Internet service, including some 400 units of 12-inch sub notebook PCs, 1,600 units of PCMCIA modem cards and 1,000 units of WiBro personal digital assistants. The company decided to provide the test service to some 200 employees and a group of WiBro supporters for the first month, with the aim of widening the range into consumers in April and March. The test service will consist of data service such as video-on-demand, music-on-demand and messaging plus multimedia content. KT plans to kick off commercial service including mobile Internet banking in June this year after monitoring the test service and drawing up marketing and price plans. KT said it is considering to introducing a partial pay-as-you-use price, and providing a special price for users of household broadband Internet and Nespot service even as it makes the final touches on its wireless stations and billing systems. In a separate report, KT, announced that it had applied for patents for Internet protocol (IP) TV techniques, devised to help users find their favorite channels. The company said it has applied for a patent for an IP TV-associated business model providing layered services for the watchers of web-based TV. KT disclosed also its plans to embark on the commercial services of the IP TV later this year.
- **Nateon of SK Communications, a local messenger, took the top position as the nation's messenger as it posted 13.9 million users compared to 9.6 million users of MSN messenger.** Given the record, Nateon remains the top messenger over MSN messenger since last May of 2005. The good performance of Nateon is shown in the analysis of overlapped users. Of overlapped users, 55.8 percent spent more time on MSN messenger last March, but 60.6 percent on Nateon this January. Nateon beat MSN messenger in all indexes from the intensive competition to grab the leading position in the nation's messenger market. Observers are saying the competition of the two messengers is expected to be more exciting now that MSN messenger plans a huge service upgrade campaign in the first half of this year.

## *Mobile/Wireless*

- **If the bill that aimed at easing restrictions on handset subsidies is passed, some 63 percent of Korea's wireless population, or about 24 million people, are expected to benefit from it.** Under the new guidance, each wireless operator is required to set its own rules on how much subsidy it will grant to its customers and report them to the Ministry of Information and Communication. Observers, however, are not that optimistic saying that the new policy would bring in a surge in mobile handset sales, with some analysts forecasting an increase in the demand for new handsets by around 10 percent this year. Analysts are saying that while customers will be happy about the easing of the restrictions on handset subsidy, service providers will feel pressure of the marketing costs. The country has more than 38 million wireless customers out of its 48 million populations considered to be the highest penetration in the world.
- **KTF, the cell phone service of Korea's largest phone company, KT Corp., is reportedly being charged for alleged illegal lobbying and bribery.** Specifically, the charges against KTF are that it lobbied the National Tax Office, Ministry of Communication, Fair Trade Commission and Korea Communications Commission using part of its 8 billion won (US\$8 million) set aside for such purposes. A legislator produced a document he said documented KTF's lobbying. Observers are pointing to the overregulation of the sector as the factor pushing companies to engage in such illegal acts, citing as an example the government's ban on subsidizing the cost of cell phone handsets for subscribers. Other sectors are saying that the over-regulation in the companies was a result of their practices of offering under-the-table subsidies to attract customers over the past three years.

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- **LG Electronics said it is looking to its mobile TV and HSDPA phones as its instrument for competition in the European market this year.** The company said it is aiming at sales of 12 million units in Europe, with the official from LG's Mobile Communications R&D Center of LG said stating its goal of releasing five mega pixel phones in foreign markets sooner or later. The company felt that because of the good reception of the devices in the country, they would also do well in other parts of the globe.
- **Nextreaming, a South Korean mobile solution developer, announced the opening of an office in China in a bid to explore the world's biggest market.** The company explained its move as targeting 3G service to be started in the fourth quarter in the country and mobile TV with its increasing popularity. A top official said the company would be collaborating with Renesas Technology Corp. to set up headquarters in Beijing and liaison offices in Shanghai and Shenzhen.
- **VK, a South Korean handset maker, announced that the phone it released last year was awarded Red dot Design Award 2006.** The phone is the smallest and the thinnest phone that came in 8.8mm. The winner of Red dot Design Award, organized by Design Zentrum of Germany, is decided by 24 juries who evaluate various products released in the market for recent two years based on 10 criteria including innovation, functionality.

## *Media, Entertainment and Gaming*

- **The South Korean government announced the planned setting up of a body tentatively named "Broadcasting and Communication System Reformation Promotion Council".** Under it, an operating team was established with the official name of 'Broadcasting Communication Union Task Force Team'. The government source said they do not have yet details about the launching time of the council but disclosed that the body would be comprised of about 20 persons including some non-government persons that will be tasked to draft an open policy.
- **The domestic digital broadcasting gears and solution firms such as Alticast, DTV Interactive and CIS Technology are reportedly gearing up for listing in the KOSDAQ.** The listings of these companies mean that local companies related to broadcasting take a leap in With the local broadcasting gear and solution market dominated by foreign companies, the listings of local broadcast-related companies are seen as a big leap to expansion. Alticast, a data broadcasting middleware developing company, is said to be devoting resources to boost its accomplishment in the first half of this year as it targets to be listed in KOSDAQ in October. Its sales target is 40 billion won (US\$41.1 million) largely increased from 25 billion won (US\$25.7 million) .DTV Interactive aims at KOSDAQ listing in the second half of this year distinguishing itself in the market of the mobile broadcasting measurement gear like DMB and DVB-H last year. It plans to raise its total sale twofold by targeting 10 billion won (US\$10.3 million) this year and 22 billion won (US\$22.6 million) next year. CIS Technology, an integrated solution related to digital broadcasting said it largely raised the business result last year due to emergence of new media such as terrestrial broadcasting firms as well as terrestrial DMB and IPTV. The company went on an overseas expansion last year.
- **The country's Ministry of Information and Communication is promoting a special law this year to expand digital broadcasting services with the aim of switching all TV broadcasting to the digital mode by 2010.** To achieve this, the ministry said it plans to organize a committee to facilitate the conversion process. The committee will include officials from the government, Korean Broadcasting Commission, broadcasters, TV manufacturers and civic groups. As part of the plan, local television makers will be asked to incorporate "digital tuners," or equipment for terrestrial digital reception, into their new products, in phases. Large sized DTVs will be the first to be subject to the

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new regulations, to be followed by small and medium sized DTVs. The transition to DTV is considered to be a crucial element in the government body's 2010 vision of a nationwide digital broadcast system. Currently, the country's DTV penetration rate stands at 17.8 percent, which is equivalent to 3.1 million units sold in total, as of late last year. With the given pace, the penetration is forecast to hit 52 percent, which would be short of the ministry's expectation. The ministry said it will set up the process of abolishing the analogue broadcast system.

## *Hardware*

- **Samsung Electronics announced the launching of PictSync Consortium that saw Epson, HP, IDS, Olympus and portalplayer participating.** The aim of the consortium is to provide the methodology and logo programs that that could bring about interoperability and compatibility between digital media products of participating companies, such as digital camera, camera phone, PMP and TV. Samsung said that PictSync has the specific objective of improving the sharing of digital images from digital camera or camera phones to consumer electronic storage or playback devices. It would enable consumers to transfer the images more conveniently to TV or PMP without having to process them on PC.

## *Information Technology*

- **LG-Nortel, a joint venture set up by LG Electronics and Nortel, said it will hold a road show, Power Convergence of LG-Nortel 2006, in a bid to attract corporate customers.** Major corporations, engineers and channel partners will be invited to event where LG-Nortel plans to introduce total communication solutions for enterprise customers. The company introduces industry outlook, convergence network, which is one of the most noticeable trends in enterprise communication market and LG-Nortel's networks/products that integrate voice, data and media communication.
- **According to KISDI, South Korea's leading research institute, Korea's IT service market is projected to grow by 3.6 percent to 46.2 trillion won (US\$47.6 billion) a growth ascribed to the rapid growth of data services, for broadband and dedicated lines.** Wireless communication industry, including mobile service, is seen as posting a rise of 2.9 percent to 31.6 trillion won (US\$32.5 billion). Add-on services add-on Internet services, and paying subscribers to satellite broadcasting service. Broadcasting service is expected to post the biggest growth of 11.4 percent this year. According to the industry outlook by KISDI, fixed line sales, which had been on decline, would swing back due to the growth of demands would also expand 2.3 percent, attributed to increasing penetration of broadband, e-commerce and demand for high-speed networks. KISDI estimated the market opportunity of add-on services for this year at 4.8 trillion won (US\$5 billion). Broadcasting service would grow by 11.4 percent to 8.8 trillion won (US\$9 billion) as increasing number of broadcasting service becomes pay service and PPs (program providers) such as home shopping channels generate more revenues.

## *Telecommunications*

- **An official source from the SK Group disclosed that SK Telecom will open an office in India this month, with the company aiming to penetrate the Indian market through an equity investment in a local mobile operator.** Other companies within the SK Group, such as SK Corp., SK C&C and SK Networks, are also planning to enter into India. The mobile market in India is forecast to register 140 million subscribers by 2008. In India, the main players in the market are Tata Group and Reliance Group. It must be noted that SK attempted to acquire Tata shares last year but decided against as the share price had gone up too much.

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- **Hanaro Telecom announced the opening of BcN Info Center at the lobby of its headquarters in Seoul. Visitors can experience cutting-edge services, such as TV portal and video telephony offered by Hanaro Telecom.** The company said that the info center is a permanent establishment designed to promote a wide range of services of Hanaro Telecom. The BcN Info Center is expected to provide people with an easy access to the most advanced services integrating broadcasting/ communication and wired/ wireless networks. We will prepare diverse programs for visitors.
- **South Korea's telecom regulator said it has handed down the order to the country's four major fixed-line communications service providers asking them to pay fines amounting to 87 million won (US\$89.6 million) for business practices that hurt consumers.** The Korea Communications Commission (KCC), affiliated with the Ministry of Information and Communication, fined KT Corp., Hanarotelecom Inc., Dacom Corp., and Onse Telecom Co. for allowing "060" telephony service operators to give business licenses to unauthorized people.
- **T-ontelecom, a TRS carrier in Seoul metropolitan area, announced its plans to begin public Tetra TRS service.** The company already held opening ceremony of European tetra public TRS service that will be started next month, an event attended by cooperating companies that include the Military Mutual Aid Association C&C, Seoulcommtech, Sunjin Inc., Motorola, EADS, APtech, Comstelecom. It said that it is the first application of Tetra used in 46 countries to the public network. A company release described Digital TRS in Tetra method as providing better quality of call than the existing method and distinguished functions such as concurrent transmission of voice and data, independent operation of a base station, priority of call, emergency call and direct call said a source at T-ontelecom. It plans to complete transferring 10,000 subscribers to Tetra by end of this month and move into a new market as a private line for business such as construction, government office, manufacture, security and transportation.
- **South Korea's Telecommunications Technology Association, a state-led technical standard organization, announced its selection as an official certification lab by the WiMax Forum.** The body is a non-profit corporation formed to promote and certify compatibility and interoperability of broadband wireless products. TTA will test and certify WiMax member countries' products to see if they meet the forum's conformance and interoperability standards, particularly the homegrown Korean WiMax standard WiBro. The WiMax Forum consists of around 360 member companies, with Samsung Electronics and KT participating in the forum as directors, while the Electronics Telecommunications, Innowireless, LG Electronics, Posdata, and SK Telecom are members.

## China

### *Mobile/Wireless*

- **According to the country's Ministry of Information Industry, there are over 400 million mobile phone users in China now.** The number of subscribers in China went up by 5.4 million in January to 398 million. The Ministry said that with further growth this month, the total number has hit 400 million. It should be noted that the country set up its first mobile phone network in 1987 and took a decade to reach 10 million customers. In 2003, the number of mobile phones in China surpassed that of fixed-line phones. The report also said that nearly 34 billion text messages were sent by mobile phone users in January, representing a 66 percent year-on-year increase.
- **China Telecom, China Mobile and China Netcom said they will work jointly with equipment sellers and handset makers to expand trial networks to cities in Hebei, Fujian and Shandong**

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**provinces.** This is aimed at promoting the commercial readiness of TD-SCDMA, which is a homegrown TD-SCDMA standard. The latest trials will be on the performance of 3G new handsets.

## *Internet*

- **Sina disclosed a 21 percent decline in its fourth quarter profits, a performance it ascribed to low non-advertising revenue.** The top Internet portal said its profits for last year saw a 35 percent decline to US\$43.1 million. Its revenue went down by 3 percent to US\$193.6 million. Sina said its net profit for the fourth quarter alone was US\$13.8 million from US\$17.4 million a year earlier, on revenue of US\$52 million that declined by 9 percent. Its advertising revenue came registered at US\$25 million in the quarter. Its mobile value-added services, SMS and other non-advertising activities generated revenue of US\$26.9 million, representing a 30 percent decline. The company forecast estimated total revenues for the first quarter of this year at US\$44.5 million to US\$46.5 million.
- **Baidu announced a strong rise in its earnings to 24.5 million yuan (US\$3 million) from 6.4 million yuan (US\$796,000) in the same period last year.** The company disclosed a 29 percent increase in its revenues year on year to 114.9 million yuan (US\$14.2 million) from 42.9 million yuan (US\$5.3 million) a year earlier. Baidu's IPO in August has pushed Google and Yahoo to launch initiatives aimed at securing a bigger share of China's huge Internet market, which has more than 100 million people online. Despite the resulting intense competition, Baidu posted a full-year income of 47.6 million yuan (US\$5.9 million), compared with 12 million yuan (US\$1.4 million) in 2004. The company said its revenue for 2005 hit 319.2 million yuan (US\$39.6 million), compared with 117.5 million yuan (US\$14.6 million) in 2004. For the first quarter of this year, Baidu said it expected revenue of 125 million yuan (US\$15.5 million to 130 million yuan (US\$16.1 million).
- **Ctrip, a Shanghai-based firm that provides travel booking services, reported a net income of US\$7.8 million for the fourth quarter, a figure that represents 50 percent growth year on year.** The company said its revenue climbed by 57 percent to US\$19.2 million, a figure that includes hotel revenue of US\$12.9 million. Ctrip said its air ticket booking revenue more than doubled to US\$6.4 million.
- **NetEase.com Inc., an online game provider, said net profit for the fourth quarter of 2005 posted a 7 percent growth from the previous quarter to 276.7 million yuan (US\$34.4 million).** The company said its total revenue went up 5.3 percent quarter-on-quarter to 487.3 million yuan (US\$60.5 million) while online games revenue beat the company's guidance, as it posted a 7.6 percent increase to 400.9 million (US\$50 million). NetEase also posted sales of US\$60.4 million, up from US\$33.6 million in 2005. Online advertising revenue went up 54.6 percent to US\$8.6 million, fueled by increased spending on online advertising, growth in the number of advertisers, and upgrades. NetEase said its MMORPG Fantasy Westward Journey and Westward Journey Online II reported record peak concurrent users of around one million and 554,000 respectively during the fourth quarter.
- **According to a study done by the China Internet Development Research (CIDRC), the consumer-to-consumer (C2C) market has become the new growth area of the e-commerce industry in China.** The study said the market registered a turnover of RMB 13.5 billion yuan (US\$1.6 billion), which is three times higher than the 2004 volume. The report noted that e-commerce sales last year hit a record 553.1 billion yuan (US\$68.7 billion), which represents an increase of 58 percent over 2004. The figures are expected to continue growing this year. Cited in the study as the top domestic online auction site is Taobao.com, which beat its U.S. counterpart eBay, with a market share of 70 percent of China's C2C market users and registering transactions valued around 9.7 billion yuan (US\$1.2 billion) in 2005.

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## *Software*

- **Shanghai's software industry generated 45.5 billion yuan (US\$5.6 billion) in sales revenue in 2005, according to the Shanghai Municipal Government.** The number accounts for 15.2 percent of the overall sales revenue in the country's software industry this year. There are now seven software companies in Shanghai that are recognized for having acquired top international certifications for software companies, representing about 5 percent of such companies around the world. The sales revenue of software products with their own intellectual property rights made up 40 percent of the industry's total sales revenue. R& D funds increased to account for 20 percent of the sales revenue.

## *Hardware*

- **Lenovo Group announced its new offering in the form of its first Lenovo-branded computers that are going to be marketed outside China.** The move is Lenovo's first attempt to introduce its product brand in the U.S. and other countries since the completion of its acquisition of IBM's PC business. With its new 3000 series of computers, Observers are saying that Lenovo is using its 3000 series of computers to go into the same target markets vacated by IBM. Lenovo announced two lines of desktop computers, starting at US\$349 along with a laptop line that starts at US\$599. The products are available immediately from Lenovo's web site and through its business partners. In the fourth quarter of 2005, Lenovo had a 7.2 percent market share, compared with Dell's 17.2 percent and HP's 15.7 percent, according to IDC.

## *Information Technology*

- **According to the China Center of Information Industry Development (CCID), China's market for IT services is seen as achieving a 20.6 percent growth annually for the next five years.** The CCID forecast was based on the rapid rate of growth in the past year. In 2005, the country's IT service market volume generated some 82.2 billion yuan (US\$10.2 billion), a figure representing a 20.1 percent year-on-year rise. Two factors explaining the growth are the growing computer sales and the increase in Internet usage. Last year about 19.9 million personal computers were sold in the Chinese market, with sales volume totaling 121 billion yuan (US\$15 billion), an 18.8 percent and 8.7 percent year-on-year growth.

## *Ventures/Investments*

- **China Digital Communication Group, a battery component manufacturer in China, announced today the signing of agreement for the acquisition of UPE (Far East) Ltd., which operates through its wholly owned subsidiary company, Shenzhen Zhuo Tong Power Supply Industry Co. Ltd. (Zhuo Tong).** Under the deal, China Digital will acquire 100 percent of UPE in an all stock transaction valued at approximately US\$11.1 million. The arrangement will have China Digital issuing 18.5 million shares to the shareholders of UPE in exchange for all of the shares UPE. Upon completion of the acquisition, the shareholders of UPE will own approximately 25 percent of China Digital. Zhuo Tong provides power supply technology and equipment to the so-called China's "Big Four" - China Mobile, China Unicom, China Telecom, and China Netcom. Zhuo Tong is a pioneer of 3G power supply technologies and equipment.

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## Taiwan

### *Telecommunications*

- **With the aim of attracting overseas investment, Taiwan authorities disclosed that they could up the ceiling on direct foreign ownership in Chunghwa Telecom.** The firm is one of the Taiwan's leading telecom operators. At present, foreign investors own a combined stake in Chunghwa Telecom that is approaching very closely the 40 percent limit set by the government. A related development came up with Taiwan Mobile announcing its plan to unload a stake in Chunghwa Telecom through an American depository receipt (ADR) sale, with the amount of shares to be sold and the timetable for the ADR not yet finalized. The government has set a separate ceiling of 49 percent on foreign ownership for other telecom operators, including Taiwan Mobile and Far Eastone Telecommunications. Currently, the Taiwanese government has 47 percent stake in Chunghwa Telecom.

## Hong Kong

### *Ventures/Investments*

- **The Hong Kong Science and Technology Parks (HKSTP) disclosed that it will boost its marketing strategy in a bid to attract new tenants, as well as develop key industries as it works to get the confidence of the public.** HKTSP said it aims to focus on more local hi-tech business development that will tap the practical utilization of government assets. A top official of the Science Park said that they will focus on integrated circuit design, biotechnology, precision engineering, wireless communications for logistics and nanotechnology. The Science Park facilities are divided into four industry clusters: electronics, biotechnology, precision engineering, and information technology and telecommunications. The body was formed from a merger of the Hong Kong Industrial Estates Corporation, Hong Kong Industrial Technology Centre Corporation, and the Provisional Hong Kong Science Park Company Limited. The corporation includes the Science Park in Tai Po, the Inno Centre in Kowloon Tong, the Tai Po Industrial Estate, Yuen Long Industrial Estate and Tseung Kwan O Industrial Estate.

### *Mobile/Wireless*

- **SmarTone-Vodafone is looking to the declining price of handsets as a factor that could push the hastening up of the migration of its customers to 3G.** According to a top official, the cost of 3G handsets posted an average of 30 percent decline since its launching. Macquarie Research forecasts for SmarTone-Vodafone a net profit of HK\$132 million (US\$17 million), a figure that is a 10.9 percent rise from the HK\$119 million (US\$15.3 million) it posted in 2005. The competition brought about by the soft-launching of PCCW Mobile's 3G has pushed the analysts to downgrade SmarTone's ratings.

## Singapore/Malaysia/Philippines/Indonesia

### *Telecommunications*

- **The Philippine Long Distance Telephone Co. (PLDT) Group announced in profits amounting close to US\$614 million in 2005, as its wireless units – SmartCommunications Inc. and Pilipino Telephone Corp. – continue to dominate the lucrative mobile-phone service business.** Smart and Piltel, which ended the year 2005 with 20.4 million subscribers, captured 62 percent of the cellular -

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phone service market. Rival Globe Telecom and unit Touch Mobile, which reported 12.4 million cellular subscribers as of end-2005, cornered 37 percent of the market. Sun Cellular of the Gokongwei group has the remaining 1 percent. Aside from cellular business, PLDT is banking on the prospects of new technology to generate more revenue. These projects include Next Generation Network services in which the company will be investing US\$100 million this year to expand the reach and capacity of its existing services.

## *Information Technology*

- **The TeleEye Group, a global leader in remote surveillance systems, stated during its Philippine launching that now is the right time to invest in the Philippine market.** TeleEye, which has an extensive distribution network in over 20 countries worldwide providing technical and marketing support to customers, cited the performance of the local currency and bourse as the reason for its statement. It has offices in the United Kingdom, China, Japan, Hong Kong, Singapore and Croatia. According to the firm, it is bringing a comprehensive range of the most advanced video surveillance and closed circuit TV (CCTV) technology. The TeleEye Group is listed in the Growth Enterprise Market of the Hong Kong Stock Exchange and is engaged in the development, sales and marketing of a full range of hi-tech CCTV and digital surveillance equipment.

## *Ventures/Investments*

- **An official from the Wuxi Municipal Development and Reform Commission Office (WMDRC) was quoted as saying that the listing of the Wuxi-Singapore Industrial Park may take place this year.** In 2003, the industrial park had announced in 2003 that it is planning to offer shares to the public in two to three years' time. The listing schedule for the two companies – Sheng Li Holdings and Tian Qian International – will also depend on the coordination with the Singapore Exchange (SGX). Sheng Li has enlisted DBS Singapore as the financial intermediary responsible for the listing procedures of the Chinese firm it invested in. Tian Qian, on the other hand, signed Genesis Capital as its intermediary. Wuxi-Singapore is a joint venture between the New District of Wuxi, and a Singapore consortium led by SembCorp Industries, which includes Singapore investment company Temasek Holdings.

## **United States/Canada**

### *Internet*

- **According to its top official, eBay on would concentrate in 2006 on the integration of its acquisitions made in 2005, a focus it has decided on over the acquisitions of other companies.** The official said that while the company would continue to look at acquisitions globally, it was unlikely to continue at the pace set last year. Last year, eBay acquired Internet phone company Skype Technologies, consumer review site Shopping.com and real estate company Rent.com. In 2004, eBay acquired India's most popular online shopping site, Baazee.com, India's most popular shopping site.
- **America Online said it is asking its U.S subscribers to sign up for high-speed connections even as it increases the price of its main dial-up plan.** The move will then bring the value of the high-speed connections equal that of its new broadband offerings. Under the new offering, most subscribers will need to shell out almost US\$26 a month for either dial-up or broadband. AOL is offering discounts to dial-up subscribers who commit to a year. AOL has been shifting its focus to providing free articles, video and other materials on its ad-supported web sites. The company, however, sees paid broadband accounts as key to making that strategy work. AOL believes broadband will help boost usage and hence advertising. According to the Pew Internet and American Life Project, those with broadband at home

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are 52 percent more likely than dial-up subscribers to use the Internet on a given day, and the typical broadband user spends about 23 percent more time online daily. In recent weeks, AOL announced partnerships with leading broadband providers to provide high-speed AOL subscription packages. As of December 31, AOL reported about 19.5 million US subscribers, a decline from a high of 26.7 million in September 2002. Out of this number, 75 percent are on dial-up.

- **Google issued a statement denying a report saying that its Chinese-language search engine has operating without a required government license.** Media reports said that the ICP (Internet content provider) license listed by Google.cn on its website belonged to a Chinese company, Ganji.com. China's Ministry of Information Industry, the Internet regulator in the country, said it was aware that Google.cn did not have its own license although it was not clarified if such situation is allowed by the authorities. Some other foreign Internet companies such as eBay also operate in China using the licenses of their local partners. Google launched Google.cn last year with the aim of increasing its appeal to Internet clients. The company has a Chinese-language search site based abroad, but users complain that Chinese government filters slow access to it.

## *Software*

- **Intel announced that it has secured a license from the Vietnamese government allowing it to build a chip plant worth US\$605 million in Ho Chi Minh City.** Earlier reports described the plant as occupying 46.7 hectares and employing 2,000 local workers. The presence of the plant is seen as a big factor that will contribute to the growth of the country's IT industry. In 2003, Intel entered an agreement with FPT, a semi-private Vietnamese IT company, for the sale of central processing units, main boards and other components at preferential prices to manufacture desktops, laptops and servers under the Vietnamese company's Elead brand. According to analysts, other than Vietnam's cheap labor force, Intel's other reason for considering Vietnam was its aim to diversify locations and share risks. Over the past five years, Vietnam saw 7 percent to 8 percent annual growth rates.
- **IBM researchers said they have discovered that current chip-making technology has the potential to make computer processors even tinier and cheaper than was first thought.** Called optical lithography, the process is said to have the potential to make chip circuitry more than a third as lean as was standard in electronics today. The company said the development of such product would depend on chip producers making their investment in order to developing the potential uncovered by IBM scientists, according to the company.

## **Europe**

### *Media, Entertainment and Gaming*

- **Lagardere, a French publisher, announced the deal it struck with Vivendi Universal that would see the French firm shelling out some 2 billion euros (US\$2.3 billion) in a bid to increase its television presence.** The agreement will transform Lagardere into a key shareholder of Canal Plus France, the new pay-television entity to be formed from the merger of Vivendi's Canal Plus unit and rival TPS. Together, Canal Plus and TPS have to their name more than 8.5 million subscribers in France, securing for them Europe's second-largest pay-television market after Britain. The new company would be 65 percent owned by the Canal Plus Group, 20 percent by Lagardere, 9.9 percent by French broadcaster TF1 and 5.1 percent by M6. Lagardere would have a call option to buy a further 14 percent stake in the company, exercisable three years after completion of the transaction. Under the deal, the original owners of TPS – France's leading commercial channel TF1 and M6 – will have an

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option at the same time to sell their combined 15 percent stake. Earlier, Lagardere paid US\$540 million for the acquisition of the books division of Time Warner.

## *Telecommunications*

- **BT Group, a British telecommunications firm, announced a US\$21 million-investment on a global platform to provide voice calls service through an Internet network.** The company said about half of the investment would go into developing the platform for the Asia-Pacific region. In 2005, BT invested US\$48 million for the deployment of an Internet protocol network in Asia Pacific, a move aimed at that boosting the company's capacity in handling larger volumes of traffic and at the same be an integrated platform for voice, data and video transmission. Once the network upgrade is completed, BT is expected to cover 17 countries including Australia, China, Hong Kong, India, Japan, South Korea, Singapore and Taiwan.

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