

IRG WMR



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

Week of 5 March - 11 March, 2006

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Weekly Highlights

International

Media, Entertainment and Gaming

- **Worldwide online game subscription revenue registered a 43 percent growth to US\$2 billion last year, according to DFC Intelligence, a video gaming market research firm.** The study showed that online subscriptions remain a fraction of the estimated US\$29 billion in overall video game sales in last year although it expects the segment to hit US\$6.8 billion in sales by 2011. The so-called MMORPGs, such as the World of Warcraft, accounted for more than half the subscription sales in last year. One-fifth of the subscription sales were ascribed to casual games. The remainder was split among sports, strategy, first-person shooter and children's games. With the current majority of subscriptions generated from games played on PCs, DFC forecasts, however, that in five years, console-based online games will become a bigger driver for growth, as it is predicted to account for some 29 percent of worldwide online subscription revenue.

Hardware

- **Research firm International Data Corp (IDC) forecast that the MP3 player market would continue its exceptional growth.** IDC said that leading this growth would be the performance at the portable flash player category, which is expected to reach almost 124 million units in 2009 from 26.4 million units shipped worldwide in 2004. Other key drivers of the compressed audio player market include DVD players, mobile phones and gaming devices that play back compressed audio. Growth in the portable flash player category is expected to be pushed up by factors that cover declining flash-memory costs, vendor adoption of flash for multiple device storage capacities at competitive retail price points, availability of paid online media services, and growing consumer awareness of and demand for portable MP3 players. The maximum portable flash player capacity is expected to increase from 1GB in 2004 to 8GB this year and 16GB next year. Video support for music video playback is set to drive demand for portable flash players and hard drive-based portable jukeboxes.

Japan

Internet

- **The Tokyo Stock Exchange said it would be delisting Livedoor Co. from its Mothers market as early as next month.** The action comes after the country's Securities and Exchange Surveillance Commission has reportedly decided to file a complaint against the Internet company and five suspects, including Livedoor's former head Takafumi Horie. The procedure will have TSE placing first Livedoor on the liquidation post for one month to inform investors of the action, then delisting the shares, the delisting taking place possibly in April. Falsifying financial statements is one of the acts specified in the exchange's delisting standards as it has grave implications for investor decisions and the fair management of the market. Livedoor was previously put on the liquidation post in January, when Horie and others were first arrested. The TSE did not go so far as delisting then because charges brought against them at the time were not covered by its delisting standards.
- **Hikaku.com, an operator of price-comparing web sites, announced that it is listing on the Tokyo Stock Exchange's Mothers market for start-ups, marking the first time a company established with less than 10 million yen (US\$84,000) in capital has gone public.** The company

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earns revenue from online affiliate advertisements, receiving fees when viewers of the ads either buy the advertised products or request product catalogues. Hikaku.com was capitalized at 2.5 million yen (US\$21,000) when it was founded in August 2003. It currently has 23 million yen (US\$193,000) in capital. The company's web site currently allows a comparison of 44 kinds of products and services, including financial products, insurance and travel-related services. Hikaku.com aims to increase the varieties of products and services comparable on the site to 300 within three years. In January, the web site attracted 900,000 visitors. The company expects a consolidated pretax profit of 250 million yen (US\$2.1 million) in its current business year ending in June, a figure representing a 140 percent rise from a year ago when its book-closing was only on a parent-only basis. The expected profit increase is expected to come from growing revenue from affiliate ads brought about by an increasing number of visitors to the web site. Hikaku.com said it plans to use the about 1.8 billion yen (US\$15.1 million) to be raised through the initial public offering to expand its server capacity and as an operating fund. Monex Inc. is the lead manager for the IPO.

Media, Entertainment and Gaming

- **Fuji Television Network Inc. said that the company would file a suit against Livedoor Co. as early as this month, with the aim of seeking compensation for unrealized losses on holdings of the Internet company's shares.** Fuji TV acquired 44 billion yen (US\$369.6 million) in Livedoor shares in May as part of a settlement to end the firm's takeover bid for Fuji TV's group radio broadcaster, Nippon Broadcasting System Inc. As for when the company will file the suit, Fuji Television said it will depend on such factors as Horie's indictment as well as when the full extent of the losses becomes known.
- **Nippon Game Card Co., a Japanese firm that offers prepaid card services for amusement parks, has received approval to list on the JASDAQ Securities Exchange.** The company will offer 15,000 shares to the public in its initial public offering. Those shares currently held in private. The company will offer all the shares through the book-building method. For the current fiscal year through March, the company forecasts a parent pretax profit of 4.7 billion yen (US\$39.4 million), net profit of 2.9 billion yen (US\$24.3 million), and sales of 28.7 billion yen (US\$241.1 million). Last fiscal year, the company posted a parent pretax profit of 4.5 billion yen (US\$37.8 million), net profit of 2.1 billion yen (US\$17.6 million), and sales of 35.6 billion yen (US\$299 million). Shinko Securities, the lead underwriter of the offer, also has a green shoe option, allowing it to offer an additional 1,500 shares in the event of exceptional demand.

Information Technology

- **NEC Corp. announced its plans to provide backbone computer system administration services for Japanese companies through a Chinese subsidiary, citing the country's lower personnel costs as a factor.** NEC Solutions (China) Co. said it would operate and monitor clients' computer systems at its data center, as well as manage clients' servers in Japan via computer networks. Its information system outsourcing division now employs 50, and the work force is expected to rise to from 80 to 100 by year-end to enable 24-hour monitoring. By staffing the facility with Japanese workers and locals who can speak Japanese, communications with clients will be conducted in Japanese. An increasing number of Japanese companies are outsourcing system development and call center operations, as well as accounting and other clerical tasks, to businesses in China, India and other countries where labor costs are low. By tapping this trend, NEC hopes to generate 2 billion yen (US\$16.8 million) in sales from the new service over the next three years.

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Mobile/Wireless

- **Kyocera Corp. announced its plans to enter the Russian market for 3G cellular phones. Under the program, the firm intends to introduce advanced handsets with Internet connectivity through Sky Link, a Russian company that plans to launch 3G services in June.** The firm is aiming for shipments of 200,000-300,000 units this year. Kyocera aims to supply the phones to other regions that will deploy the same communications standard as well such as Eastern Europe and South America. The phones use the CDMA450 standard, which operates at a lower frequency than that used by models in markets such as Japan. Sky Link had until now been buying handsets from mid sized Chinese and South Korean manufacturers. Kyocera will manufacture the phones specifically for Russia at its Chinese subsidiary and other facilities. It sold a total of 11.5 to 12 million mobile phones in fiscal 2005, including those made by its U.S. subsidiary. Kyocera is targeting a 10 percent increase in its sales for fiscal 2006.
- **KDDI Corp. announced on that it would begin in July a combined fixed-line and mobile telephone service for companies.** To do this, KDDI has developed the E02SA, a handset that is compatible with wireless-LANs (local area networks). The handset can be used as a mobile phone outside the company and for internal-line service inside the company. KDDI will team up with system configuration companies and promote the phone to corporations as a way to reduce communication charges. The handsets can also make use of a fixed-line service when calling an outside line from within the company.
- **NTT DoCoMo Inc. said it has registered 162,300 new subscribers on a net basis to its cellular phone and PHS (personal handyphone system) services in February, besting other firms for a third straight month, according to the Telecommunications Carriers Association.** DoCoMo's performance is attributed to strong sales of handsets targeted at the winter shopping season. The figures are also seen as index for a good start for new models introduced that month. KDDI added 160,200 new contracts on a net basis. Its au cell phone service attracted 275,100 subscribers, while its Tu-Ka service lost 114,900 customers. Vodafone KK, which is in talks to be sold to Softbank Corp., got 12,200 subscribers, a number that shows weaker growth than the month before. The results show that the gap is widening between Vodafone, the third-largest cellular provider, and industry leader DoCoMo and No. 2 firm KDDI Corp. Vodafone saw new contracts increase sharply when it introduced a flat rate for a portion of its services in November of 2005, but its growth in subscription has since slowed down. Another firm, Willcom Inc., gained 64,900 subscribers to its PHS service.

Software

- **BSP Inc., an enterprise package software developer/vendor, said it would go public on the JASDAQ Securities Exchange.** The company provides software that manages information systems for corporate customers. The systems integrate a large number of small servers made by more than one producer into a mainframe, to help customers operate their systems more efficiently and cut costs. The products division, which handles software sales and maintenance services, has seen a larger percentage of sales coming from maintenance services than from software, due to the fact that the firm's customers generally use BSP products for long periods. The company expects consolidated pretax profit to rise 14 percent year on year to 1.1 billion yen (US\$9.2 million) in the year through March, on sales of 4 billion yen (US\$33.6 million), which represents a 6 percent rise ascribed to a recovery in corporate IT investment. BSP plans to use the proceeds from the initial public offering to build a computer system to control its customer data as well as add new functions to its proprietary package software. Nomura Securities Co. is the lead manager for the offering.

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Hardware

- **NEC Corp. said it has developed a semiconductor laser technology that may lead to the development of next-generation, high-speed supercomputers.** The laser, which converts electrical signals into light, connects LSI (large scale integrated) circuits with each other via optical signals, making it possible to transmit data at a speed of 25 gigabits per second, the fastest ever achieved. With existing laser diodes, the maximum data transfer speed has been limited to 10 gigabits per second. The present generation of supercomputers, including Japan's Earth Simulator, which until recently was the world's fastest, is designed to use electrically connected LSI circuits. NEC hopes that, with the new laser technology, Japan will be able to take the top spot from the U.S. in the race to make the fastest supercomputers.
- **Fuji Photo Film Co. disclosed its plans to issue 200 billion yen (US\$1.6 billion) in euro-denominated convertible bonds in a bid to increase its production capacity for polarizing sheet film for LCDs, as well as go into acquisitions and cover restructuring costs.** The plan will have the firm issuing two types of bonds: one at a variable interest rate that matures in March 2011, and a fixed-rate instrument set to mature in March 2013. The bond issuance will be conducted using a new technique developed by Nomura Securities Co. A special-purpose company established in the Cayman Islands will purchase the convertible bonds. Nomura will sell to individual investors bonds exchangeable for Fujifilm shares and backed by the convertible bonds. This is the first time since 1983 that the company is seeking to procure funds through equity financing.
- **Asahi Glass Co. announced its plan to spend 30 billion yen (US\$252 million) to expand LCD glass substrate production at its site in the Taiwanese city of Douliu.** A new glass furnace is slated to begin mass production in the spring of 2007, but this may be calendared to the current year depending on demand. The facility will be able to produce up to eighth-generation LCD glass substrates. The company is also constructing another 5 million sq. meter glass furnace capable of handling up to eighth-generation LCD glass substrates at its site in Hyogo Prefecture. This new furnace is to begin operation this autumn. The addition of the two new glass furnaces is expected to boost Asahi Glass' annual LCD glass substrate output capacity by 45 percent, from the current 22 million sq. meters to 32 million sq. meters. The firm aims to double its annual output capacity to as high as 42 million sq. meters by the end of 2007.

Korea

Internet

- **Pos Data said it has plans to launch the Wi-Bro equipment it has developed. The company said it is now in talks with three to four telecom carriers overseas and plans to form deals to provide Wi-Bro equipment and systems by next month.** Pos Data said it aims to begin installing systems in May. Telecom carriers in many countries such as Japan, the United States, Singapore and Taiwan have shown interest in Pos Data's Wi-Bro systems, with some visiting the company's main office and watching tests. If Pos Data successfully seals deals with telecom carriers overseas, it will give a big boost to the promotion of domestically developed Wi-Bro technology in the world market. Samsung Electronics already signed deals with six telecom carriers overseas for Wi-Bro business. Pos Data is bidding for a major Wi-Bro system order of KT, which is readying to launch service in June this year. The company expects shipments to begin in the second half after tests on equipment.

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Mobile/Wireless

- **South Korea's three mobile phone operators announced the number of additional customers in February, a figure boosted by growing numbers of subscribers to new terrestrial DMB service and strong early-year demand.** SK Telecom, the market leader, said it added a net 79,125 customers in February, bringing its total to 19.6 million. KTF gained a net 82,323 users to 12.4 million by the end of February, increasing its market share to 32.2 percent. The third-largest operator, LG Telecom, added a net 56,136 subscribers to raise its total to 6.6 million. The total number of mobile phone users in the country was 38.7 million last month, representing about 81 percent of the population. The number of subscribers to terrestrial DMB phone service stood at 34,000 with KTF, 17,000 with LG Telecom as of the end of February.
- **LG Electronics said it would start to supply WCDMA-based DVB-H phone for Hutchison.** Buying the rights for broadcasting FIFA World Cup through DVB-H, the Italian operator will show all the games through DVB-H handset from June. Earlier, LG said it successfully demonstrated its WCDMA-based DVB-H phone in Milan late last month. LG-U900 is capable of mobile broadcasting for over two hours and video calling. DVB-H is a mobile TV standard developed by a Nokia-led project and in rivalry with DMB and Media FLO supported by Korea and the U.S.-based Qualcomm, respectively. In a separate report, LG Electronics announced that it would launch its DMB (Digital Mobile Broadcasting) phone business in Europe with the first release of handsets in Germany in May. The LG-V9000 model is compatible with Europe's GSM (2G)/ GPRS (2.5G)/ UMTS (WCDMA) (3G) services. LG said it is introducing the LG-V9000 in Germany not only to coincide with the launch of the country's DMB service but also just in time for its hosting of the 2006 World Cup. In separate report, Strategy Analytics (SA), a research institute, has predicted that the size of the global mobile TV phone market, which currently totals 8 million units, will grow to 120 million units by 2010, a figure that will stand for 10 percent of handsets worldwide.
- **Samsung Electronics announced that it supplied Cingular Wireless, the largest GSM operator in the U.S., with WCDMA phones (GH-ZX10).** This marks the first time that Samsung provides the WCDMA service in the region. Cingular starts the first commercial WCDMA service in North America this month. After what it considered as the success in the world WCDMA market including Europe last year, the South Korean handset maker expects the debut in the US market will be the start of sales growth in the regional market. The company is planning to supply HSDPA phone to the North American market soon.
- **People in their 20s and 30s were a major user group of terrestrial DMB phones launched in January this year, according to market research firm Atlas Search.** The study also indicated that demand for the new handsets was also significant in non-metropolitan areas, where service has yet to be introduced. The research firm surveyed 1,000 mobile phone sales stores nationwide, and found that some 78,000 units of T-DMB phones were sold through February this year, with young people in their 20s and 30s accounting for 87.5 percent of the customer base. People living outside the metropolitan area took 13.6 percent of the total, indicating potentially strong demand for T-DMB handsets in those areas. T-DMB service is now available only in the metropolitan area. The research firm pointed out that strong demand among young people were mostly because T-DMB service is offered unlike satellite DMB, which shows a similar user group pattern with general mobile phones. According to the survey, 37 percent of people who purchased T-DMB phones in February were mobile users who changed their numbers from SK Telecom and KTF or LG Telecom. Atlas Search forecast that T-DMB phone sales would outnumber S-DMB in some of the metropolitan area.

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- **KTF, the nation's second largest mobile operator, introduced a new service where professional disc jockeys recommend ringtone, ringback tone, and karaoke on subscribers' requests.** The service, named Magic music DJ, offers one-on-one advice from professional deejays about mobile music contents. Another service sends out text messages about up to date entertainment news and DJ recommendation weekly to subscribers. Receiving subscriber request, deejays give answers by text messages and subscribers would log on to the mobile Internet, Magic, to download recommended contents. The music recommendation and music box services are free of charge.
- **Omnitel, a mobile contents developer, announced the signing up of an agreement that will allow it to supply Java-based mobile karaoke service to Mongol Content.** Under the deal, Omnitel provides the service to the Mongol company until February 2008 and gets 10 percent of revenues accrued from the service for two years. Mobile operator Mobicom, a mobile operator that has 80 percent of Mongol's mobile service market, is the largest shareholder in the contents developer. Omnitel signed a Mobile Service Training Agreement with Mongol Content in November 2005 in order to transfer its expertise in mobile services.

Media, Entertainment and Gaming

- **Industry sources said the British government and business organizations are now interested to ask South Korean game firms to have business or invest in England.** The entire European market is valued around US\$9 billion by next year. Of the total value, the online game market and the mobile game market are expected to account for US\$650 million and US\$1 billion, respectively. The report said that the British government considers games as one of the innovative technology industries, and that it plans to invest 320 million pounds (US\$552.3 million) in the industry for the next 3 years. With some 25 percent of game development in Europe being conducted in England, the country is considered one of the world's three game powerhouses.

Hardware

- **Observers are saying that concerns are rising over the new business of ReignCom, the manufacturer of the popular iRiver Mp3 player.** ReignCom recently made a series of statements about business alliance over WiBro game console G10 to attract interests from the market, however, the prospect for WiBro is not that encouraging. Content providers also see that ReignCom hastens to release WiBro game console and are saying that they would not be able to provide contents in time along with the tight work schedule of ReignCom. The manufacturer allegedly set up a new goal to roll out the game console in August after WiBro service is officially launched. The firm also intends sell 100,000 units of the game console within the yearend, a goal considered lofty by observers. Last year, ReignCom reported 439.3 billion won (US\$447.7 million) in sales, a 3.2 percent decline from the previous year and 35.5 billion won (US\$36.1 million) of net losses that were mainly attributable to stiff competition in foreign markets.
- **Samsung Electronics says it has developed the world's first 10-megapixel-camera phone, which provides almost the same picture quality as professional cameras.** A picture taken with a 10-megapixel resolution remains sharp even when blown up to calendar size. According to its top official, Samsung aims to increase the company's market share there from 12.7 percent to 14-15 percent this year. The company also said the global WCDMA mobile phone market will grow from 40 million units last year to more than 80 million this year, and Samsung Electronics aims to sell more than 10 million of the third-generation phones alone.

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Telecommunications

- **Observers are pointing to consumers as benefiting from the subsidies that are going to be offered soon by the nation's mobile service operators to entice new customers.** As this develops, LG Telecoms is saying that the company is not keen on spending too much on the subsidies, with LG putting its marketing fee, including subsidies, at around the same level as last year's 580 billion won (US\$590 million). LG said it has also no plans to launch new businesses, such as wireless broadband Internet, or to acquire entertainment firms. Instead, it would focus more on expanding the number of LG's subscribers. The country's Information Ministry said it plans to categorize the amount of subsidies according to the subscription period and the users' monthly charges.
- **KT Corp., South Korea's largest fixed-line and broadband operator, announced the signing of a deal with a local shipbuilding company to provide it with maritime communications service.** The deal was signed with Hyundai Heavy Industries Co. and calls for KT to offer satellite-based maritime communications to its vessels operating around the world from late April. Hyundai Heavy is reputedly the world's top shipbuilder.

Ventures/Investments

- **The Electronics and Telecommunication Research Institute announced its plans to invest some 1 billion won (US\$1 million) in building a research firm called ETRI Technology Commercial Group by the end of the first half of this year.** The new research enterprise will be devoted to both profit making and public service business, according to ETRI. Profit-making business models will include technology-intensive areas, while public service models will focus on technology transfer to other firms. ETRI plans to collect business ideas from researchers beginning early this month, and finalize a business plan by selecting items after review on technology-viability and marketability.

China

Internet

- **Alibaba said it would continue to concentrate on integrating the Yahoo China operation as it rules out plans for new acquisition or stock listing in near future.** According to its top official, Alibaba has almost finished the reorganization of Yahoo China's business by projecting all its resources to develop the online Chinese-language search engine. Alibaba.com acquired Yahoo China together with a package of Yahoo China's assets that includes Yahoo's search technology, the Yahoo China web site, its communication and advertising business, as well as 3721.com, a Chinese language search engine. As part of the acquisition agreement, Alibaba also obtained US\$1 billion of investment from Yahoo as well the exclusive right of using the Yahoo brand. Under the deal, Yahoo will take 40 percent of Alibaba's shares even as it retains 35 percent of voting rights in the company. In January, Alibaba announced an investment of 30 million yuan (US\$3.7 million) to invite three renowned Chinese film directors to shoot an advertisement for the search engine business. Alibaba.com runs online commerce sites that link foreign buyers with Chinese wholesalers. Its popular consumer auction site Taobao.com competes with the Chinese arm of eBay Inc.

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Mobile/Wireless

- **According to an official with the Standardization Administration of China (SAC), the Chinese government has unanimously agreed to strongly support a homegrown wireless broadband technology in competition against Intel.** At the center of the news is Wired Authentication and Privacy Infrastructure (WAPI), a solution to the security loophole of the existing 802.11 standard of wireless local area networks (WLAN). Seen as in direct competition against 802.11i dominated by Intel, the technology is waiting for final voting to determine whether it is adopted as the international standard. Developed by IWNCOMM, a private company in Northwest China's hi-tech center Xi'an City, WAPI has attracted wide attention from both the domestic and overseas IT markets for its sound security to wireless networks. The Chinese government has attached great importance to the technology and has organized joint meetings of concerned ministries. Sources say a unanimous agreement has been reached to support WAPI internationally.

Media, Entertainment and Gaming

- **Focus Media said China's emerging outdoor television media industry is expected to double in size this year as advertisers focus on the young customers.** The outdoor television network company reported for the 12 months to the end of last year a 130 percent rise in its revenue to US\$68.2 million, with income reaching US\$23.5 million. The company has installed 45,000 television displays in the lift lobbies of commercial buildings in 70 cities; 27,000 of its displays are in more than 4,000 retail outlets. About 1,200 advertisers, such as mobile-phone service provider China Mobile and technology product vendors Siemens and Sony, use Focus Media's channels. Currently, home-based TV advertising remains the dominant mainland market, with a share of more than 75 percent. Advertisers, however, are turning to outdoor networks to broaden their campaign exposure. With each commercial shown on Focus Media's network aired about 60 times a day, it is seen indeed as generating a much better response than traditional commercials. The company sold more than 4,600 30-second time slots in the fourth quarter of last year, up 9.6 percent on a quarterly basis.
- **Focus Media also announced that it has entered into a definitive agreement to acquire 100% of Dotad Media Holdings Limited ("Dotad"),** a leading mobile-phone advertising service provider in China. Since Dotad launched its WAP-based advertising delivery service in 2004, the company has taken about 80% of the WAP-based advertising delivery market in China, based on the traffic volume through Dotad's platform. All of the top 100 wireless value-added service providers in China are customers of Dotad and it has developed a database of approximately 70 million WAP users, covering approximately 90% of all WAP users in China. Under the agreement, Focus Media will acquire a 100% of the equity stake in Dotad for US\$15 million in cash and up to US\$15 million in the form of Focus Media ordinary shares (valued at US\$50 per ADR, each of which represents 10 Focus Media ordinary shares) contingent upon Dotad's meeting certain earning targets in 2006 and 2007, for an aggregate potential payment of up to US\$30 million. All of the Focus Media ordinary shares in discussion will be in the form of new shares.
- **SpongeBob SquarePants, a cartoon series, grabs the top spot as the No. 1 cartoon program in China after just four weeks on air.** The show debuted in China on CCTV's kids' channel, with the program's audience made up mainly of children. According AGB Nielsen Media Research, from Jan. 2 to Mar. 3, 2006, 35 percent of SpongeBob's audiences are aged between four and years old. Viewers aged between 24 and 34 years old come at 25 percent. The figures indicate that the top cities tuning in to the cartoon are: Chongqing and Tianjin with an average rating of 11.4 percent, Chengdu with an average rating of 4.3 percent, Hangzhou with an average rating of 4.7 percent and Beijing with an

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average rating of 4.4 percent. In February, China announced a ban on TV shows and movies that blend animated elements with live-action actors, a move said to be in an attempt to nurture local animators. SpongeBob SquarePants, however, was not affected since the program is entirely animation. The country's main television and film regulator, State Administration of Radio, Film and Television (SARFT), the country's main TV and film regulator warned broadcasters and theaters that cartoons including live characters could no longer be shown.

- **Shanda Interactive Entertainment has announced that it has licensed Emergent game engine technology for a deal covering multi-game, multi-platform development, one of the biggest deals yet for Emergent.** Emergent's current-generation game engine has been used in games, and its next-generation engine has already been deployed in at least one title, which is being released for both Microsoft's next-generation console and PC in the near future. A top official of Emergent cited the impressive pool of local talent as the factor behind making China as "one of the most dynamic, creative and thriving game markets in the world". In a separate development, Shanda announced reaching an agreement with www.top100.cn, the country's largest legal music download website, under which Shanda will provide the legitimate digital music on the web site to its users via its household digital products EZPod and related platforms. The agreement is expected to result in the enrichment of the digital music contents in the EZPod platform given Shanda's introduction of global music giants like EMI and Universal.

Hardware

- **Legend Holdings, the parent firm of Lenovo Group, announced its plans to spin off its mainland commercial property subsidiary in Mainland China as a real estate investment trust in Hong Kong.** The parent firm said it may consider listing Lenovo in the U.S. Hong Kong-listed Lenovo acquired US computer giant IBM's personal computer operations for US\$1.25 billion last year. Legend Holdings said is in talks already with a foreign investment bank about spinning off Raycom Real Estate Development, which has about 2 billion yuan (US\$248.4 million) of commercial property assets and rental income. Legend said it was considering dual mainland and offshore listings citing the U.S. listing for Lenovo a priority. Lenovo's share of the mainland personal computer market went up to 34.5 percent in the third quarter of last year, compared with 26.3 percent in 2004, according to IDC. The company's global market share was 7.2 percent. DBS Vickers Securities said any plans to list Lenovo in the U.S. would be more about brand building rather than for fund generating.
- **IBM said it has recently upped its investment in China in an effort to capture demand from mainland companies looking to revamp their business operations.** IBM announced its China strategy for the next five years in Beijing as it inaugurated its China business innovation center, a window for showcasing its solutions tailored for six sectors: finance, telecom, public service, medical and public health, retail and manufacturing. The center also houses a telecom solution laboratory linked to the group's four telecom solution laboratories in the US and France. The company said that through its IBM Greater China group, IBM would focus on helping Chinese enterprises expand globally. To achieve this goal, it expanded its research laboratory in China and established a systems center last year for supporting Chinese firms' IT needs such as benchmarking, testing and training. The company still has a 13.2 percent stake in Lenovo after its US\$1.7 billion sale last year. IBM's system center in Beijing, which houses servers and storage equipment worth US\$500 million, is the only performance benchmark center located in Asia. IBM has four more system centers are they are found in the US, France and Germany.

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Information Technology

- **Sources from Guangdong Province disclosed that its electronic information (EI) industry in generated 958.6 billion yuan (US\$119 billion) in gross industrial output value in 2005, making its EI industry the No. 1 in China for the 15th consecutive year.** The output value of Guangdong's EI industry accounted for one third of the country's total output value of the EI industry in 2005. During China's tenth Five-Year Plan (2001-2005), the province's EI industry saw a year-on-year increase of 31 percent on the average. The output value of EI industry contributed to 8 percent of the province's GDP.

Telecommunications

- **China Telecom Corp, the parent of Hong Kong-listed China Telecom, announced its plan to spin off its telecommunications services and engineering arm in several Chinese provinces in a share offering worth US\$200 million to US\$400 million.** Lintech, by being a wholly owned subsidiary of China Telecom Corp's Guangdong Telecom Industry Group, could be included in the new listed company. The company is expected to launch a broadband telephone service to mainland telephone numbers through its Hong Kong partners such as Citic Pacific's telecommunications arm CPC Net, targeting enterprises with businesses in the mainland. This would make China Telecom the first mainland operator to sell a broadband Internet telephone service in Hong Kong to fixed-line numbers in China. By using a broadband telephone box and connecting it to the Internet and a traditional telephone device, users can place calls to the mainland without paying international rates. In turn, mainland telephone users will be able to reach broadband telephone users in Hong Kong or overseas and be charged the price of a local call. In Hong Kong, operators such as City Telecom (Hong Kong) and New World Telecom have already launched broadband telephone services for local fixed-line numbers.
- **The business revenue from the China's communication industry hit 55.3 billion yuan (US\$6.8 billion) in January, a figure that stands for a 10.8 percent growth over the same period last year, according to statistics from the country's Ministry of Information Industry.** Within that figure, the business revenue from the telecom industry registered a 10.7 percent growth to 50.1 billion yuan (US\$6.2 billion). The ministry said the business revenue from the postal industry went up by 11.3 percent to 5.1 billion yuan (US\$633.6 million). The report shows that in the first month of 2006, the number of fixed-line telephone users went up by 2.5 million to hit 352.9 million and the number of mobile phone users grew to 5.3 million to reach 398.7 million.

Taiwan

Internet

- **PChome Online, Skype's Taiwan partner, announced the launching of Skype v2.0, which offers video in addition to VoIP services.** The company said that with the launch, it is providing tailored Skype services for the needs of local customers. These services include SkypeRing for the download of ring tones and screen graphics, Skype phone yellow pages, interactive voice response and special VoIP solutions specifically for to business users. PChome expects to expand the PChome-Skype user base from three million registered users and 270,000 paying subscribers currently, to 5 million and over 400,000, respectively, by the end of this year. PChome said it has plans to increase marketing of Skype-enabled hardware under the IPEVO brand of its U.S. subsidiary.

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Media, Entertainment and Gaming

- **GigaMedia Limited announced today that its leading casual games portal FunTown has entered into a strategic partnership with top community blog site Wretch, a leading online "community" offering a wide range of community services including blogs, photo albums and bulletin boards.** The strategic partnership unites Wretch's strength in blogs, online photo sharing and other community offerings with FunTown's world number one MahJong and other online casual game offerings. The partnership envisions development of a shared gaming portal joining the four million members of FunTown with the over two million members of Wretch. As part of the strategic partnership, GigaMedia has an option to purchase a 20 percent equity stake in Wretch. Wretch is a leading online community site offering various community services including blogs, photo albums and bulletin boards, and is one of the world's most popular web sites. As of December 2005, over two million people had joined the Wretch community. Wretch is available to users in Simplified Chinese, Traditional Chinese, Taiwanese and English. FunTown is one of the leading casual game platforms in Asia, with over four million registered users and a wide variety of fun and exciting games, including the world's largest Mahjong platform in terms of revenue. GigaMedia Limited is a major provider of online entertainment software and services. GigaMedia also operates a major broadband ISP providing Internet access services to consumers and corporate subscribers in Taiwan.

Hong Kong

Telecommunications

- **Hutchison Telecommunications International Ltd (HTIL) disclosed its plans to spin off Hutchison Essar on the Mumbai stock exchange in what is expected to be the biggest share sale for HTIL's parent Hutchison Whampoa this year.** The company also dismissed any idea that Orascom, an Egyptian telecom, may derail its planned listing for its 61.8 percent-held Hutchison Essar. Hutchison Essar covers 16 of India's 23 licensed regions and is valued at US\$6 billion by a former shareholder. HTIL already consolidated 61.8 percent from Hutchison Essar's profit after it restructured the unit earlier this month. India is HTIL's top market out of its seven-market portfolio, contributing about 41 percent of the group's revenue last year. With total subscribers growing 59 percent to 11.4 million, India's operating profit posted an 87.2 percent rise to HK\$2.5 billion (US\$322 million). Its total revenue went up by 64.1 percent to HK\$24.3 billion (US\$3.1 billion). HTIL revealed a budget of HK\$14.5 billion (US\$1.8 billion) to invest in a global mobile network.

Media, Entertainment and Gaming

- **The pay-television service of Hong Kong's smallest pay-TV outfit has changed again its name, this time assuming the label TVB Pay Vision.** The move, the third in its corporate life, is seen as an attempt to boost its present customer growth. A top official of TVB Pay Vision said the company expects the venture will break even a year earlier than anticipated in 2007 due to its alliance with PCCW's Now Broadband TV, a partnership that the firm said will help in expanding its coverage to more than two million households. The firm said, despite the change, it would continue to provide its service through satellite transmission and the broadband network over Hutchison Global Communications. TVB is expected to announce its full-year results later this month and analysts estimate that its 49 percent stake in TVB Pay Vision will bring in an operating loss of HK\$200 million (US\$25.7 million) for last year. Under the agreement, TVB Pay Vision pays a fixed monthly rental fee for each user subscribing to the service on the Now platform. PCCW will market the service under

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Now's umbrella. The name change, however, has elicited concerns from TVB Pay Vision's rival i-Cable Communications that the re-branding will breach antitrust conditions imposed on TVB.

Mobile/Wireless

- **A small trial network of TD-SCDMA, China's homegrown third-generation mobile phone standard, will be set up in Hong Kong soon, according to Hong Kong Wireless Technology Industry Association.** The trial is considered the first to be held outside Mainland China and is seen as boosting China's efforts to export the standard. TD-SCDMA trials are already taking place in Beijing and Shanghai. The government has said it will push development of TD-SCDMA domestically and abroad. A spokesman for the Hong Kong Wireless Technology Industry Association said the Hong Kong government had preliminarily agreed to grant a trial license for the network and allocate the spectrum for the testing platform of TD-SCDMA, which will be located in the Hong Kong's Cyberport. The association said the trial, which is expected to last from two to three years, is valued at about HK\$20 million (US\$2.5 million), and will be funded by the Hong Kong government, private industry players in Hong Kong, and Datang Mobile Communications Equipment Co., one of the key developers of TD-SCDMA in China. Datang said it would cooperate with Hong Kong on TD-SCDMA although the form of cooperation is still being negotiated. In a separate report, a spokesperson for Hong Kong's Office of the Telecommunications Authority confirmed they have received application for a trial license of TD-SCDMA, which is still pending approval. TD-SCDMA has never been used in a commercial network, not even in China.

Singapore/Malaysia/Philippines/Indonesia

Media, Entertainment and Gaming

- **MiTV, Malaysia's pay-TV operator, announced its plans to invest MYR 1 billion (US\$269 million) to roll out a 3G-mobile services network within two years after winning a license recently.** The company said it would raise fund by way of its existing shareholders and through vendor financing. In the long run, MiTV said it has plans to float the firm on the stock exchange, with the company not specifying a timeframe. MiTV and fibre-optic cable network operator TIME dotCom were awarded the remaining two 3G licenses by the government as part of an effort to develop a competitive mobile virtual network market in the country. Two 3G licenses were issued in 2002 to the country's top two telecommunications firm, Maxis Communications and Telekom Malaysia. Malaysia has more than 16 million mobile phone users, giving it a penetration rate of more than 60 percent among its 26 million people. MiTV is part of the Berjaya Group. The company said it would begin rolling out 3G services by the end of the year in phases, with the project aimed to cover 80 percent of Malaysia by 2008.

Internet

- **The announced tie-up between Pacific Internet and PCCW-HKT Networks Services Ltd., a unit of Hong Kong-listed PCCW Ltd. is seen as connecting their separate private networks to offer wider coverage for their customers.** The partnership is expected to broaden PacNet's coverage to include China, Japan, South Korea, Indonesia, Taiwan, the U.K. and the U.S. and boost the Internet service provider's revenue. Earlier, MediaRing, which has a 4.8 percent stake in PacNet, gave an offer that valued PacNet at US\$110.6 million. Vantage, which is currently PacNet's largest shareholder, disclosed that it is also interested in the Internet company. Vantage said it might buy up to a 51 percent stake in PacNet in a process that could take about two to three months. Both Vantage and MediaRing

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are aiming to capitalize on the growth of Internet-based services such as Internet telephony, or voice over Internet Protocol (VoIP), in the Asia-Pacific region. Over the last four years, PacNet's net profit has climbed to US\$6.5 million in 2005, while its revenue registered a 13 percent rise to US\$102.5 million. Analysts are expecting PacNet to branch into wireless broadband services soon.

Mobile/Wireless

- **Singapore's Temasek Holdings Pte Ltd. said it has bought a 9.9 percent stake in India-based Tata Teleservices for an undisclosed sum.** Tata Teleservices is part of the Tata Group, an Indian conglomerate. Temasek's move makes it the latest foreign company to take a stake in India's telecommunications sector after the government has liberalized investment, raising the cap on foreign ownership in domestic telecom companies from 49 percent to 74 percent. Last October, Vodafone Group PLC paid 820 million pounds (US\$1.4 billion) in cash for a 10 percent stake in Bharti Tele-Ventures Ltd., India's largest mobile phone operator by subscribers. Singapore Telecommunications Ltd., which is majority owned by Temasek, has about a 30.8 percent stake in Bharti. India's mobile market is one of the fastest growing in the world. Total customers for India's nine GSM mobile operators grew 5.1 percent in February to 65.1 million from 62 million in January. Tata Teleservices, which uses CDMA, has over 8.4 million of the market's 27.8 million CDMA customers.
- **Telekom Malaysia, Malaysia's major phone provider, announced the acquisition of 49 percent of India's Spice Communications for US\$178.8 million.** The acquisition brings the Malaysian firm into what is described as the world's fastest-growing mobile phone market. The privately owned Spice operates in the northern Indian state of Punjab and southern Karnataka state, two of the 23 regions making up India's mobile market. It has 1.8 million users, or 2.2 percent of a market of roughly 85 million mobile subscribers. Telekom Malaysia bought the stake from Deutsche Bank and Ashmore Investment Management. The purchase is seen as helping Spice restructure US\$215 million in existing debt. Analysts say the deal values Spice at 15.4 times its EBITDA, a figure high even in Asian terms. Malaysian telephone firms are increasingly turning overseas for growth as they face a rapidly saturated market at home, where mobile phone penetration is about 68 percent. India is attractive because mobile phone ownership is surging in Asia's third-largest economy, in part because it has the world's cheapest local mobile call rates.

United States/Canada

Internet

- **Google announced its acquisition of Upstartle's Writely, an online word processing program. The acquisition is seen as giving Google, already a search engine leader, a new strength in its rivalry with Microsoft.** The acquisition of Upstartle also is seen as part of the company's effort to gather a suite of software applications that are linked to an Internet connection instead of a single computer's hard drive. Google did not reveal how much it paid for Upstartle. Google said it had been buying hi-tech startups to deepen its product line as well as its pool of engineering talent. Upstartle's Writely service allows its users to share documents on the Internet so people in different locations can write and edit them together. The free service is not currently accepting new users. In the face of Google's buildup, Microsoft is observed as investing heavily to improve its search technology, hoping to lure traffic away from Google.

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- **In its latest bid to catch up with rivals Google and Yahoo, Microsoft announced the launching of a revamped Internet search engine that it says will help computer users find information faster and help them organize those data better.** The new offering is called Windows Live Search, a move that is seen as the company's bid to compete with Google and Yahoo and one that puts its focus more on Internet-based software and services. This shift in product deployment is seen as complementing its more popular products: the Windows operating system and the Office business software. According to Microsoft, once the technology has been fully tested, Windows Live Search will replace the existing search engine that powers MSN.com. In another development, Microsoft said it would be deploying a new Windows Live toolbar that incorporated technology from Onfolio, an Internet research and information management company it recently acquired. The toolbar would include a feature that will detect RSS (or Really Simple Syndication) data feeds, which people are using to streamline news and other information they gather from the Internet.
- **La la, an online song co-op that claims to be the world's most diverse music store, announced its going live on the Internet from its U.S. headquarters.** La la launched a beta-version web site at lala.com with 1.8 million album titles available for trade at US\$1 apiece. The firm said membership was by invitation only, although it said it would open soon the site to the public. Under the co-op agreement, members can exchange music compact disks by traditional mail using envelopes and postage provided by the "online music co-op". A member has to sell a CD to buy one. By acting as middleman for people trading used music CDs, La la intends to avoid copyright violation lawsuits that are seen as irritants by web sites replicating and sharing music in digital format. US copyright law allows people to sell or give away used music CDs. La la also sells new CDs and music downloads. The web site is backed by US\$9 million in venture capital and includes a former chief product officer of Yahoo.

Media, Entertainment and Gaming

- **Pixar aid it has agreed to be acquired by The Walt Disney Co., a deal that is expected to close in the next few months.** The animation studio, in what is seen as its last report as a public company, reported net income of US\$30.9 million, compared with US\$55.2 million, in the same period last year. The firm said its revenue posted a decline by more than half to US\$55.6 million compared with US\$109 million in the same period last year. The results beat estimates from analysts surveyed by Thomson Financial. For the full year, Pixar reported net income of US\$153 million, compared with US\$142 million. Its revenue for last year registered a small growth to US\$289 million compared with US\$273 million in 2004.
- **General Electric's NBC Universal announced its plans to acquire iVillage, a women's web site.** Valued at US\$600 million, the acquisition makes NBC Universal the latest company belonging to the so-called "old media" category to make an incursion into the fast-growing world of online advertising. The agreement is seen as part of NBC Universal's strategy for expansion and indicates a desire among the "old" media firms not be left behind in a world that has consumers shifting to the Internet for news, entertainment and shopping. According to Universal, iVillage will serve as the base of its longer-term strategy to meet consumers wherever they go for information. With iVillage, NBC expects to grow its digital revenue to about US\$200 million this year. New York-based iVillage more than tripled its earnings last year to about US\$9.5 million, on a 36 percent rise in revenue to US\$91 million. GE's health-care business is expected to use iVillage's parenting network as a marketing and promotional outlet on top of its traditional television content.

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Semiconductor

- **Micron Technology, a semiconductor firm, announced its acquisition of Lexar Media, a maker of flash memory products, in a stock deal valued at about US\$688 million.** The California-based Lexar manufactures flash memory products including memory cards, USB flash drives, card readers and other items for consumer electronics and industrial applications. Idaho-based Micron makes a variety of semiconductor and memory products. The merger is aimed at getting a bigger piece of the market for NAND flash memory, which is used in iPods, MP3 players and other electronic devices. The agreement is seen as combining Micron's technology and manufacturing leadership in NAND flash memory with Lexar's leadership in NAND controller and system design technology.
- **Sun Microsystems said it has sued Hynix Semiconductor over antitrust claims, following the actions of four Hynix executives to plea guilty to criminal charges in the U.S.** Filed in California, the lawsuit claims Hynix, the world's second-largest maker of memory chips, together with five other companies have colluded to fix prices. The four Hynix executives agreed to serve prison sentences and pay fines of US\$250,000 each in a justice department investigation of a price-fixing conspiracy in the US\$25.3 billion a year dynamic random access memory (DRAM) chips market. The lawsuit said price-fixing by Hynix and other firms was the source of artificially high bid prices. The lawsuit names five other manufacturers and distributors of dram, including Nanya Technology Corp. The other chipmakers named in Sun's lawsuit are Taiwan's Mosel Vitalic and Winbond Electronics, and Japan's Elpida Memory and Mitsubishi Electric.
- **SigmaTel, a semiconductor firm, said it plans to expand its China operations this year in a bid to lead the industry in pushing new imaging and wireless capabilities to portable compressed audio players.** U.S.-based SigmaTel, the world's leading supplier of chips to MP3 players, sees the strategy as part of its latest effort to penetrate the mobile-phone market and broaden licensing deals worldwide. To achieve this, SigmaTel announced the setting up new offices in Beijing, Shanghai and Osaka this year and the widening of its design and sales operations in Hong Kong. Sigmatel ascribes more than 80 percent of its business as generated on the mainland, where about 95 percent of all MP3 players are manufactured. SigmaTel's flagship chip is the STMP3600, which went into production last quarter. Combined with its system-on-a-chip products, the STF1000 can be used to power digital audio players, personal digital assistants, voice recorders and portable video players. SigmaTel supplies the chip used by Apple Computer in its iPod shuffle and looks to supplying Apple's other MP3 players, such as the iPod nano. SigmaTel's revenues in 2005 posted a 67 percent rise to US\$324.5 million from US\$194.8 million in 2004.

Information Technology

- **According to Tandberg, a firm based in Oslo and New York, adoption of Internet-based video-conferencing systems by Chinese firms is expected to top other Asia-Pacific markets this year.** According to its top official, Tandberg has been consistently strong in supplying video-conferencing gear to China's public sector despite growing competition from multinational rivals led by Polycom and mainland players such as Huawei Technologies. Frost & Sullivan said demand for video-conferencing infrastructure systems was greatest from the government sectors in China, India, Indonesia, Malaysia, Singapore and Taiwan. E-government initiatives have apparently prompted a wider use of video-conferencing tools to provide faster decision-making, better communications and higher productivity in various government agencies. It forecast the Asia-Pacific video-conferencing infrastructure systems market to be worth about US\$181 million in 2011, more than triple the US\$56 million revenue reached by the industry in 2004. Tandberg posted global revenues of US\$345.2 million last year, up from

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US\$305 million in 2004. But its fourth-quarter revenues in the Asia-Pacific region last year went down to US\$8.6 million year-on-year from US\$11.7 million.

- **Cisco Systems, the world's largest network equipment maker, announced its partnership with Microsoft with the aim of creating a package of communications tools geared for businesses.** Part of its efforts to diversify and expand its revenue stream, Cisco is launching the "Cisco Unified Communications" system that will integrate voice, data and video products and applications. The overall package includes 30 products, most of which are enhancements or updates to existing technologies. Three of the offerings new and includes the Cisco Unified Presence Server, which collects information about a user's availability status; the Cisco Unified Client, a program that allows users to make desktop video calls as well as sort, view and play messages on their PCs, and; the Cisco Unified Customer Interaction Analyser, a service that can be used in contact centers in analyzing the tone of a customer's voice as well as how and where to route a call.
- **China Wireless, a U.S.-based IT firm, announced the opening of a new North American division, called CW Communications, Inc.** The division is expected help American companies outsource their technical engineering and installation projects. The new division also will collaborate with North American information technology companies that manufacture products that can be sold in North America and China. Based in Denver, China Wireless provides information technology, which includes hardware and software support, and wireless and wired Internet services, in China. In a separate report, Tianjin Create, a systems integration company and subsidiary of China Wireless, said it has signed a contract to provide enterprise network design, wiring, installation, maintenance and technical support for GD Midea Air Conditioning Equipment Company. The Midea Group is one of China's largest conglomerates, focusing on house appliances, real estate, and finance and maintenance equipment for public highways. Its marketing network covers all of China with branch subsidiaries in the U.S., Germany, Japan, Hong Kong, Korea, Canada and Russia.

Europe

Internet

- **The French government revived a measure legalizing the practice of file sharing, a move that is seen as giving in to the pressure of legislators.** The bill is seen as part of a law being drafted to combat piracy. The French minister of culture re-introduced the measure that would put in place a "global license". The latest draft contains a diminished set of penalties for those involved in music and online movie piracy even as it boosts legal protection for anti-copy technologies known as DRMs, protecting them from challenges under French laws that grant consumers the right to make copies of music and film for private use. Consumer groups have applauded the legalized file-sharing measures; the music industry expresses its dissatisfaction with the development.

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