

# IRG WMR



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

*Week of 26 March - 1 April, 2006*

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## Weekly Highlights

### International

#### *Internet*

- **South Korea, China and Japan announced an agreement to make concerted efforts for standardization of home networking, which would include the setting up of the Asia Home Network Council, or AHNC.** The Korea Home Network Industry Association disclosed that it met with Chinese and Japanese counterparts during a meeting on standardization and agreed to join hands for a broad range of home networking standardization initiatives. The three sides agreed to establish the Asia Home Network Council, and cooperate in expansion into the Asian and the world home networking market. The new council will be composed of the Home Network Forum (HNF) of Korea, IGRS of China and EcoNet Consortium of Japan. All three will work for promotion and interchangeability of standards. It will be co-chaired by the three countries, and have an operating committee for decision-making.
- **Figures from Ipsos Insight's annual "Face of the Web" study indicate that the global online population registered a mere 5-percent growth in 2005, a performance that lags behind the 20-percent growth rate seen in 2004.** The report describes a slow growth this year even as it suggests that people are using the Internet for a broad variety of activities and using newer devices such as wireless computers and mobile phones for Internet access. The survey pointed to Japan as a major driver of global Internet use last year, as it accounted for roughly 75 million users. Japan also remains the world's No.1 Internet-based economy, with 89 percent of respondents using the Internet at least once a month. France was the country that demonstrated the most significant year-on-year gains in Internet adoption among the 12 global markets tracked in the study, with more than 60 percent of French adults using the Internet regularly, representing a greater than a 12-point increase from 2004. Ipsos said growth is slowing down in North America, specifically in the U.S. and Canada, where prevalence of regular Internet usage was essentially flat last year at 71 and 72 percent, respectively. The survey found VoIP telephony as manifesting a steady growth in France, Germany and Britain, indicating these nations may be emerging as the early adopter markets for this Internet technology. In East Asia, the urban China market is identified as one that is becoming one of the most dynamic Internet-based economies in the world. China has among the heaviest Internet usage of any of the countries, logging in a usage measured at 17.9 hours per week online.

### Japan

#### *Internet*

- **The government said it plans to inaugurate this summer a safety-certification system for Japan's approximately 9,100 Internet access providers.** Under the program, to be jointly coordinated by the ministries of Internal Affairs and Communications and Economy, Trade and Industry, providers will be rated on their level of preparedness against system glitches, earthquakes and other emergencies as well as their safeguards against information leaks. According to government source, certification will not be mandatory, although those without the certification will not be able to offer their services to the government. The system is being introduced by the government because it believes that Internet providers should have adequate safety management against emergencies. Applications for the certification will be screened by a third-party private-sector institution, before

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being finally judged by the Japan Information Processing Development Corp., which is under the ministries' jurisdiction.

- **KDDI Corp. announced its plans to begin the remote monitoring of the quality of its household-bound video transmissions over IP (Internet Protocol) that use fiber-optic lines.** Under the plan, a newly developed system will extract 1 percent of the distributed data reaching each location, uploading it to a mainframe computer at the company's distribution center. The received data then will be compared with the original data. A warning will be given if abnormalities are found. This system is expected to monitor services that distribute movies and television programs over fiber-optic networks. The company said the system is aimed at ensuring the quality of the data. Compared with conventional approaches that rely on monitoring by personnel, the new method is said to reduce operating costs by around 90 percent. And analysis of difficulties can begin immediately, without having to wait for problems to be reported by service subscribers. KDDI disclosed that it is considering selling the system to other companies in the future.
- **Golf-Do, the operator of a chain of stores selling secondhand golf equipment, announced its plans to go public on the Nagoya Stock Exchange's Centrex market for start-up firms.** The firm is ranked No. 2 in the industry and is considered the first in the sector to list on a stock exchange. Given the growth of the market, the company said it plans to nearly double the total number of directly managed and franchised stores in the chain to 150 nationwide in three years, compared with the present network of about 80 shops. Golf-Do was spun off in 2000 from Box Group Co., a video game arcade operator, and has accelerated store openings with financing from an investment fund. The company has started selling used gear online to diversify its sales channels and posts on a web site a list of about 100,000 items handled by all stores. With a 10-percent share of the market for used golf equipment, the company said it plans to use about 300 million yen (US\$2.5 million) in proceeds from the IPO to open more stores, each of which requires an initial investment of about 70 million yen (US\$594,000). H.S. Securities Co. is the lead manager of the offering. The company expects the market to grow by 10 percent.
- **Internet Initiative Japan (IIJ), a Japanese internet access and network solutions provider, announced that its acquisition of the patent rights to the basic operations of the SEIL Management Framework (SMF), a centralized network management system originally developed and introduced by IIJ.** SMF is a centralized network management system that was independently developed by IIJ. SMF uses a central server to perform integrated management of communication devices or household appliances that are installed in the workplace or the home. With the system, users can connect communication devices to a network and turn on the power. All settings are then made automatically, according to IIJ. IIJ is also reportedly developing auto-generation technology for the automatic generation of network device functions by making use of SMF. The company is currently in the process of applying for relevant patents for the technology.
- **Yahoo Japan announced the prospect of forging a partnership with Japan Net Bank, an online bank controlled by Sumitomo Mitsui Financial Group's lending unit.** Yahoo may intend to offer a payment service that complements its online auctions and shopping services. Under the deal, Sumitomo Mitsui Banking Corp and Yahoo are seen as setting up a venture for the acquisition of Sumitomo Mitsui's 57-percent stake in Japan Net, with Yahoo acquiring as much as 50 percent of that company. The partnership would see Yahoo having a 30-percent stake in Japan Net. Yahoo last month cancelled a plan for joint Internet banking services with Aozora Bank, a Japanese lender controlled by U.S. firm Cerberus Partners, because of differences in strategies. Japanese Internet companies such as

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Yahoo and Rakuten are looking to offer more financial services to make it easier for customers to buy and sell products online

## *Mobile/Wireless*

- **KDDI Corp. announced plans to introduce 3-D maps in its EZnaviWalk road guide for pedestrians using the carrier's au mobile phone service.** The service will provide 3-D maps that reproduce the actual buildings at intersections, enabling users to more easily determine what direction they need to go. The product is seen as a response to feedback that users had a difficult time orienting themselves with the 2-D maps. The 3-D maps, based on data from Zenrin Co., are expected to provide faithful reproduction of buildings, billboards and streetlights. The 3-D maps will be provided at major intersections in metropolitan Tokyo and designated regional cities. The service is priced at 210 yen (US\$1.7) a month and will first be offered to users of the W43T handset to be released in late April. KDDI said that beginning in late May, users of existing handsets capable of processing 3-D images will also be able to download and use the software.
- **Raccoon Co., an e-commerce venture, announced its plans to go public on the Tokyo Stock Exchange's Mothers market for start-up firms.** The company markets, through wholesale, clothes and products by major manufacturers to retailers via its web sites, which allows small and midsize local retailers to purchase merchandise in small quantities. Its mainstay site offers retailers, who pay a monthly fee of 2,000 yen (US\$17), the opportunity to buy goods from among about 43,000 items, including products of large manufacturers that cannot be obtained via local secondary wholesalers. The site had 5,515 members at the end of January, an 84-percent growth on the year. The company earns money from membership fees paid by retailers to set up stores paid by manufacturers and commissions on sales. For the year through April 2006, Raccoon expects to post a pretax profit of 100 million yen (US\$849,000), a 330-percent rise, on sales of 2.3 billion yen (US\$19.5 million), up 87 percent. The company said it aims to gain wider recognition through the listing and boost the number of member retailers and manufacturers it deals with. Raccoon said it aims to use the approximately 940 million yen (US\$8 million) in proceeds from the IPO to increase the number of servers and improve the convenience of web sites in anticipation of further growth in the number of member retailers. Daiwa Securities SMBC Co. is the lead manager of the offering.
- **NTT DoCoMo Inc. announced that it has agreed to buy a 2-percent stake in Lawson Inc. The deal is seen as part of a tie-up to enable the use of mobile phone electronic money services at Lawson's convenience store chain nationwide.** The deal is valued at about 9 billion yen (US\$76.4 million). Lawson said it will sell those shares out of its holdings in its own shares to NTT DoCoMo. Observers say the move is in line with NTT DoCoMo's recent strategy of seeking new ways to make money as its revenues decline. The company is strengthening services based on cell phones equipped with "mobile wallets," which have built-in chips for storing electronic money and function as credit cards. NTT DoCoMo and Lawson jointly stated that the combination of DoCoMo's 50 million mobile phone subscribers and 8,300 Lawson stores is expected to provide convenient, value-added services.
- **NTT DoCoMo Inc. and KDDI Corp., Japan's biggest wireless operators announced the deployment of free digital television on cell phones.** Phones have already been introduced that can receive the service called One-Seg, short for "one segment," which takes its name from the one frequency segment out of 13 allocated to terrestrial digital broadcasting that is reserved for mobile phones. Industry observers are saying that carriers are racing to add new functions such as music players and digital TV to retain users on rising competition in Japan's 8.5 trillion yen (US\$72.4 billion) cell-phone market. New operators such as Softbank Corp. and eAccess Ltd. are preparing to offer

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services to win users from DoCoMo and KDDI, which together control 83 percent of 90 million wireless users. DoCoMo and KDDI have given no estimates on how many digital TV-enabled handsets they expect to ship. DoCoMo began selling a "one-seg" phone this month made by Matsushita Electric Industrial Co. for about 35,000 yen (US\$297). KDDI also began selling two models with the function, one from Hitachi Ltd., and Sanyo Electric Co., in February and December.

## *Software*

- **Ascii Solutions Inc., a developer and marketer of information equipment, said it will go public on the Osaka Securities Exchange's Hercules market for emerging firms.** The company, which got its start in June 2002 after spinning off from Ascii Corp., is considered strong in developing proprietary equipment, building computer systems and marketing foreign software. Contributing almost 70 percent of total sales, its system solutions business focuses on developing information equipment and assembling computer systems. It also develops software on orders from corporate customers. The firm's packaged software operations, which account for 30 percent of aggregate sales, consist mainly of selling in Japan as an exclusive agent of business-use software developed by overseas firms. The software earned Ascii Solutions about 180 million yen (US\$1.5 million) in sales for the year through March 2005. For this fiscal year, the figure hit 210 million yen (US\$1.7 million) at the end of January. The firm also markets translation and astronomy-related software. The company sees a 31-percent rise in parent-only pretax profit to 160 million yen (US\$1.3 million) for the year through March this year on a 33-percent gain in sales to 2.7 billion yen (US\$23 million). Ascii Solutions said it aims to use the approximately 400 million yen (US\$3.3 million) in proceeds from the IPO to invest in its own computer system and develop proprietary software. Lead manager for the offering is Shinko Securities.

## *Hardware*

- **Toppan Printing Co. announced its new product in the form of a bendable type of electronic paper based on transparent thin film transistors (TFTs).** The company sees the utility of the new e-paper, which is lightweight and relatively shock resistance, in finding applications as the screen for electronic products like phones and computers, as well as for larger applications like poster boards. Toppan already manufactures some electronic materials including the color filters for LCD televisions, but in the future the company plans to make thin displays itself based on e-paper. The prototype e-paper is 2 inches on a side and has a resolution of 4,800 pixels. At a thickness of some 320 microns, it is a sixth of the width of today's LCD panels. The prototype was made using the vacuum film-growth technology used in the semiconductor industry. Toppan said it is now working on printing technologies that can reduce manufacturing costs by more than a factor of 10. The company's goal is to have prototype e-paper products in fiscal 2008.
- **Cluster Technology Co., a manufacturer of electronic parts and materials based on its proprietary nanotechnology, said it will go public on the Osaka Securities Exchange's Hercules market.** The company's current mainstay operation is manufacturing precision devices used for information equipment. The company also said it is actively pursuing next-generation technologies. Though its R&D achievements are attracting the attention of large companies, the firm has continued to post pretax losses since fiscal 2002. The losses are ascribed to a high ratio of R&D expenses to sales, which stands at more than 30 percent. The company expects that ratio to turn downward from fiscal 2006. The company said it aims to raise some 1.6 billion yen (US\$13.5 million) to be raised through the IPO to be used to buy its main factory in Higashi-Osaka, which it currently rents, and cover costs for developing and producing equipment used for nanotech research. Nomura Securities Co. is the lead manager of the offering.

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- **ADTEC Engineering Co., a maker of photolithography machines and testing equipment for printed circuit boards, announced that it has received approval to list on the JASDAQ Securities Exchange.** The company said it will offer 2.3 million shares to the public in its initial public offering, with 1.5 million as newly issued shares and the remainder as shares currently held in private. The company will conduct a book-building for the IPO shares. The IPO also includes a green shoe option to offer an additional 340,000 shares in case of exceptional demand for the company's shares. The company expects to net 2.1 billion yen (US\$17.8 million) from the IPO and plans to use the proceeds to build a new plant. For the current fiscal year through September, the company forecasts a parent pretax profit of 909 million yen (US\$7.7 million), net profit of 598 million yen (US\$5 million), and sales of 8 billion yen (US\$68 million). It plans no dividend payouts. Last fiscal year, the company posted a parent pretax profit of 738 million yen (US\$6.2 million), net profit of 473 million yen (US\$4 million), and sales of 6.5 billion yen (US\$55.1 million). Nomura Securities is the lead underwriter of the offer.

## *Information Technology*

- **NTT DoCoMo Inc. announced that Aeon Co., a major supermarket operator and others will adopt its iD mobile phone credit service, which allows customers to pay simply by passing their phones in front of special readers.** Together with Aeon, am/pm Japan Co. and Kinki Nippon Tourist Co. are expected to offer the service. NTT DoCoMo is developing iD as a credit brand, having jointly established it with Sumitomo Mitsui Card Co. Aeon plans to begin adding the readers to group stores including Jusco stores starting in July, while am/pm plans to install the readers in all 1,350 convenience stores by the end of 2006. Kinki Nippon plans to install the readers at eight locations in the Tokyo area starting in May and then gradually expand use to its roughly 350 branches nationwide.

## **Korea**

### *Internet*

- **xDSL's share of the high-speed Internet market is seen as posting a decline to less than 50 percent by the end of this year, according to a monthly subscriber survey by the Ministry of Information and Communication.** The decline is ascribed to the presence of hybrid fiber co-axial and optical LAN aggressively marketed by cable system operators and firms such as Powercomm. The report said out of the 12.4 million subscribers to high-speed Internet, 6.5 million were using xDSL, 4.8 million HFC and 1.8 million optical LAN in February this year. The number of subscribers to xDSL was down by 23,000 compared to the previous month, while that of HFC and optical LAN increased by 56,000 and 80,000, respectively. The figures for xDSL and optical LAN were 6.7 million and 1.1 million a year ago. The combined market share of HFC and optical LAN, which stood at 47.4 percent, is expected to outnumber that of xDSL in February next year. With the decline in market shares, KT and Hanaro are noted to be getting ready to upgrade their existing networks. KT said it plans to do some strong marketing of its products. Hanaro Telecom also spoke of its plan to expand coverage of optical LAN service to 70 percent of the customer base.
- **Lycos, a leading media destination for creators and consumers of quality content, announced the launching of Lycos Phone, considered to be the Internet's first-ever VoIP softphone application that has entertainment features.** Done in partnership with Globe7, users of Lycos Phone can make free calls from PC to PC. They can also make free PC to PC video calls and receive unlimited free incoming calls from any landline or mobile phone, from around the world. Under the

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offering, users also receive 100 free minutes of PC to landline and PC to mobile phone calls, and can earn additional free minutes through various promotional offers with Lycos Phone. Lycos said that its alliance with Globe7 allows it to leverage Globe7's real-time communications infrastructure to provide other innovative services like Internet Protocol television. Another unique aspect also of the offering is that it allows a free U.S. phone number, free fax and free voicemail to email. Globe7 supports Windows 2000 and XP. Future enhancements will support Linux, Mac OS, Palm OS and Pocket PC.

- **Cisco Systems and Juniper Network came to compete again with each other in the finals for taking order of terabit routers from Hanaro Telecom.** Hanaro Telecom said that it will decide the final bidding from the two companies of Cisco systems and Juniper Network. The day of a bid has not been fixed yet, but it is forecast to be early next month at the earliest, with the budget reportedly hitting 8 billion won (US\$8.1 million). The competition of the two companies in a terabit router has been repeated in about 4 months after the competition in KIDC (Korea Internet Data Center) in this January. The bidding competition is expected to be a round that decides which one is superior in the rivalry of next generation terabit routers and is the main reason why the industry is paying attention to the competition.

## *Mobile/Wireless*

- **SK Telecom Co., KTF Co. and LG Telecom Inc., the country's top domestic providers, forecast that most customers will go for low- to mid-price handsets, which retail for between 300,000 (US\$300) and 500,000 won (US\$500).** Despite this announcement, mobile phone manufacturers appear to be pinning their hopes on high-end handsets priced at 600,000 won (US\$600) or more. Samsung Electronics Co. for one said that the new subsidies were likely to result in a big increase in the sale of premium mobile phones. To meet this demand, Samsung is planning to release more DMB and slim phones. A survey involving a small sample seems to support the projection of the phone makers, showing that a significant portion will buy DMB-equipped phones now that subsidies are on offer. Such handsets currently cost from 500,000 to 700,000 won (US\$500-700). In a separate report, SK Telecom has asked manufacturers to share the cost of the discounts, which are now legal for long-term users, but Samsung has reportedly refused. Other handset manufacturers, LG Electronics, Pantech and Motorola among them, were said to have accepted SKT's demand for fear that the company could stop buying handsets from them. KTF and LG Telecom have so far made no such request.
- **SK Telecom announced its new offering in the form of a global multimedia messaging service that would allow customers to send multimedia messages including pictures and long text to mobile users abroad.** The service starts in this month for China (China Mobile, China Unicom) and is seen as spreading to 22 countries in Europe and Asia including Germany and Hong Kong within two months. The areas of North and South America will be covered within the first half of this year. SK Telecom said the service will be 500 won (US\$0.5) for sending one message. There will be charges for the receiver following the local operator's rate.
- **South Korea's three mobile service providers – SK Telecom Co., KTF Co., and LG Telecom Inc. – announced handset subsidies ranging from 50,000 won (US\$50) to 210,000 won (US\$200) for subscribers who have used a particular carrier for at least 18 months.** The size of subsidies varies depending on the average monthly charges a subscriber has paid over the past six months and how long they have been a subscriber. Of the nation's 38 million mobile phone users, 62 percent, or 25 million customers, will be eligible for the subsidies. For SK Telecom Co., 13.8 million customers qualify for subsidies, while 6.9 million and 6.5 million qualify at KTF Co. and LG Telecom Inc.,

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respectively. Under the new policies, market leader SK Telecom said it is granting subsidies ranging from 70,000 won (US\$70) to 190,000 won (US\$190). KTF will provide subsidies ranging from 60,000 won (US\$60) and 200,000 won (US\$200), while LG Telecom will offer an amount between 50,000 won (US\$50) and 210,000 won (US\$200). The subsidies may be adjusted during a one-month grace period that ends on April 26, after which the subsidy size and terms of use must be maintained for at least one year. Customers who change their mobile service provider through the number portability system can receive subsidies from the carrier of their choice.

- **LG Electronics, the world's fourth-largest cell phone producer, announced the signing of a memorandum of understanding with KTF, the nation's runner-up wireless carrier, for the acquisition of KTF Technologies.** KTF Technologies is a handset-making unit of KTF, which retains a controlling 75-percent stake in the affiliate established in October 2001. The market value of the firm is estimated at around 150 billion won (US\$153.2 million). It sold 810,000 cell phones last year to generate about 300 billion won (US\$312.5 million) in turnover and 10.5 billion won (US\$10.7 million) in net profit. Even as the details of the deal have yet to be finalized, market observers are saying there is a likelihood that LG will eventually snap up KTF Technologies. In the event that LG gets KTF Technologies, the deal would create the second huge merger in less than half a year, following Pantech Group's acquisition of SK Teletech. Industry experts say that the mergers and acquisitions are the result of intense competition in the country's mobile phone market. Out of the country's 48 million population, more than 38 million are subscribers to mobile telephone services.
- **Pantech Group announced that it is making inroads into South-East Asian countries such as Vietnam, with the introduction of four GSM phones including a 2-megapixel camera phone.** The devices were released through Glorystar, Vietnam's second largest distributor. The four models to debut in Vietnam have already been released in Russia, Brazil and Mexico. As Vietnam is an open market where 95 percent of handsets are sold through major distributors, close partnership with a large distribution company like Glorystar is necessary for the success in the cell phone business in the nation. Since starting export to Vietnam in July last year, Pantech Group said it is going to expand shipment to accomplish the goal of supplying 100,000 units for Vietnam and 500,000 units for South-East Asia this year.

## *Media, Entertainment and Gaming*

- **NHN Games announced that it would start closed beta service of its new MMORPG game, R2 (Reign of Revolution), next month.** R2 is a traditional 3D MMORPG based on the medieval times. In preparation for the testing, NHN opened up a teaser site on its Hangame portal. NHN Games said that compared to Arch Lord, which is aimed at general users, R2 is more for the mania gamers.

## *Semiconductors*

- **Texas Instruments Inc., the No.3 semiconductor maker in the U.S., announced the opening of a research center in Samsung-dong in southern Seoul, making it the 12th foreign information technology research center to have been set up in Korea.** The TI Wireless Technology Center will be devoted to developing mobile multimedia platforms, which the Ministry of Information and Communication has identified as a new growth engine for South Korea. The center was set up in partnership with the Korea Advanced Institute of Science and Technology. It is expected to launch a project to develop next-generation mobile multimedia platforms that can receive various forms of broadcasting through mobile phones. The country's Information Ministry revealed its plans to offer 23.5 billion won (US\$24 million) for the project by 2010, a sum that the U.S. firm agreed to match.

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There are, at present, 11 other global companies, including Intel, HP, IBM and Microsoft that operate research centers in collaboration with the Information Ministry.

## *Telecommunications*

- **Hanse Telecom, a RFID solution firm, announced that it succeeded in developing the commercialization of 'HRTS-101S' which is concurrently used in both broadbands of HF and UHF.** The company said it also won patents of a hybrid RFID leader and a hybrid tag. It plans to release a hybrid leader of four channels and a mobile RFID solution with a company Sirit of the U.S., having applied a series of hybrids to the nation's first 'U-Campus' project.

## **China**

### *Internet*

- **A8.com, a China-based online music service platform, has announced in Shenzhen the formation of copyright-protected music download website alliance.** The alliance has about 3,000 member web sites. The alliance said it will provide more than 100,000 copyrighted songs for its users through the 3,000 online platforms. A8.com disclosed that already Sony/BMG, Warner, UMG and Rock have signed cooperation agreements with it.
- **Baihe.com, China's leading matchmaking web site, announced that it has secured a venture capital of US\$9 million from venture capital firms National Enterprise Associations and Northern Light.** If one considers the account investments of US\$2 million from Mayfield Fund and GSR Ventures that Baihe has also secured, the matchmaking web site can count US\$11 million in total from venture capital firms. Two other matchmaking web sites, marry5.com and 96333.com also reported receiving venture capital investments of US\$12.5 million and US\$5 million respectively. Industry insiders note that matchmaking web sites are increasingly becoming a new investment area for China's Internet industry. A study from iResearch shows that the matchmaking market in the country can be valued at around 653 million yuan (US\$81.4 million) by 2008.

### *Mobile/Wireless*

- **China Mobile (Hong Kong) Ltd. announced the completion of its acquisition of China Resources Peoples Telephone Co Ltd.** Following the acquisition, Peoples Telephone will become an indirect wholly-owned subsidiary of China Mobile (Hong Kong). In October last year, China Mobile (Hong Kong) paid HK\$2.2 billion (US\$283.5 million) for 66.5 percent of Peoples Telephone.
- **Nokia announced that it would introduce to the Chinese market low-cost handsets as cheap as US\$5.** The company said it is targeting first-time mobile users on the mainland, particularly those from rural areas, a move that is seen as potentially increasing the number of the country's mobile users to 250 million by 2009. Nokia points to the source of its growth as coming from low-income earners with monthly salaries of US\$50 to US\$100. As part of this program, Nokia's decision to lower the total cost of owning a mobile phone for each Chinese user to just US\$5 per month is a marketing decision that is seen as having an impact on local handset makers such as TCL, Haier and Konka, which in recent years have had their market-leading positions dislodged by vendors such as Motorola and Nokia. The company forecast the number of mobile phone users to jump from 2 billion in September to 3 billion by 2008 globally, with half of this growth coming from Asia-Pacific including China and India, Nokia's second-biggest market in Asia. Nokia said about 11 percent of the group's total net sales of US\$41.3 billion is attributed to the China market.

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## *Media, Entertainment and Gaming*

- **Tom Group announced the sale of a 35 percent stake in its outdoor media unit to Singapore Press Holdings.** Valued at HK\$202.8 million (US\$26.1 million), the deal would see Tom retaining 65-percent stake in Tom Outdoor Media Group. Singapore Press, which publishes 13 newspapers, is noted for its strong media expertise and significant customer base. The deal would enable Singapore Press entry to the mainland's outdoor media market through Tom Group's media unit. Singapore Press said it has no intention to raise its stake in Tom Outdoor Media in the near future. Tom Outdoor Media registered a 12-percent growth in its revenue to HK\$412 million (US\$53 million) last year. The firm would not comment about the rumor that it has plans to buy a stake in Sina Corp.
- **The annual sales revenue from China's newspapers and magazines went beyond 30 billion yuan (US\$3.7 billion), according to the Newspaper and Magazine Division of General Administration of Press and Publication.** There are presently 9,500 magazine titles and 1,900 newspaper titles in China, with the newspaper and magazine industries transformed now into one of the fastest growing industries in China. Out of the 1900 titles, about 50 percent, or some 1,000 of them are dailies, representing a 210-percent rise from the 20 percent in 1990. According to statistics from World Association of Newspapers, there were 6,580 daily newspaper titles in the world in 2004. Of these, the Chinese daily newspaper titles make up 14.5 percent, and thus make the country the No. 1 among all countries.
- **Warner Brothers Consumer Products Ltd. announced its plans to open about 200 retail outlets in China in coming years along with partner Hutchison Whampoa Ltd.** The announcement came after Warner Brothers opened its first China store in Shanghai. The company said more stores openings are to follow in mainland China, Hong Kong and Macau. Warner Brothers will first set up in Shanghai's commercial centers before moving on to other cities such as Beijing and southern China's Guangzhou and Shenzhen. The move by Warner Brothers to open the stores comes as demand for branded merchandise in China increases. The company sees the demand for their merchandise increasing as more licensed products become available in China.
- **Industry sources indicated that the online advertising market in China has exhibited rapid growth in 2005 as it posted a 77-percent rise in its total revenue to 3.1 billion yuan (US\$386.6 million).** The proportion of online ads out of the total ads in the market registered a rise from 0.5 percent in 2001 to 2.3 percent in 2005. Search engine ads revenue contributed 1 billion yuan (US\$124.7 million), an amount that if added would make the total revenue from the online market reach 4.1 billion yuan (US\$511.4 million). The report noted that Sina and Sohu appeared to be no longer the dominant players in the market, with Baidu and Google taking in more ads. The real estate, IT and online services industries were the top three providers of clients. In terms of companies, Samsung was No. 1 with online ad spending reaching 60.3 million yuan (US\$7.5 million), followed by China Mobile, with 41.1 million yuan (US\$5.1 million) and NetEase with 39.1 million (US\$4.8 million).

## *Software*

- **SAP AG, the world's top business software maker, announced the opening of a new research center in Shanghai.** The move is seen as significantly increasing the number of research employees in China to 1,800 in 2008. The Shanghai research center is presently one of SAP's top five research hubs globally along with those in Australia, Japan, South Korea and India. SAP China reported a 70-percent increase in its revenue annually on average in the past nine years. SAP said it looks to a continuous and rapid growth in China by way of the research center in Shanghai. The center, according to the company, will see an expansion in 2008.

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## *Hardware*

- **Kingboard Chemical Holdings announced its plans to spend about HK\$1.5 billion (US\$193.3 million) this year in a bid to boost its production capacity and develop higher-end products.** The plan is part of the strategy of the firm to take a leading position in the market. The company disclosed that it had invested several million dollars a year in the past few years to develop FR4-HiTg and FR4-Halogen free laminates, two products at the higher end of its mainstay paper and composite laminates. Laminates are used to make printed circuit boards, key components of electronic products. Kingboard reported a 30 percent increase in net profit to HK\$1.4 billion (US\$180.4 million) for the year to December. IC Insights forecast that the Chinese integrated circuit industry will increase from US\$19.2 billion in 2003 to US\$61.9 billion in 2008, figures that stand for a compound annual growth rate of 26.4 percent. China's share of the worldwide integrated circuit market is expected to rise from 13.7 percent in 2003 to 23.5 percent in 2008.
- **IBM announced the opening of a new global delivery center in Shanghai that will focus on IT services, business application development, maintenance, testing and solution management as well as SAP, Oracle, Siebel, mainframe and e-business packaging solutions.** Last year, IBM set up centers in Dalian and Shenzhen. These two centers, together with the newly-established Shanghai center, form IBM's China Global Delivery Network. It offers IT services in English, Mandarin, Japanese and German, while serving clients from Japan, Europe and North America.
- **The China General Administration of Customs (GAC) announced that China's total foreign trade hit US\$109 billion in the months January and February this year, representing a 29.5-percent increase.** During the same period and within that figure, China's export of hi-tech products also continued to maintain strong growth, posting a 36.9-percent growth to US\$35.7 billion. The report from GAC indicated that electromechanical products played a leading role compared to other commodities exported in the first two months of 2006. These exports reached a value of US\$68.9 billion, rising by 34.3 percent and accounting for 57.9 percent of the total export during the same period. The export of electric appliances and electronic products registered a rise of 42.9 percent to US\$28 billion. Export of mechanical products and mechanical equipments reached US\$24.1 billion, an increase of 25.5 percent. Export of hi-tech products posted a 36.9-percent rise to US\$35.7 billion.

## *Semiconductors*

- **Advanced Semiconductor Manufacturing Corp, the Shanghai-based contract chipmaker, said it aims to generate up to HK\$751.1 million (US\$96.7 million) in its initial public offering, with Goldman Sachs and BOC International as the joint sponsors for the offering.** Advanced Semiconductor manufactures analogue wafers such as the chips used in smart identification cards. The newly established eight-inch wafer operation affected the company's profitability last year, which resulted in the firm reporting a net loss of 75 million yuan (US\$9.3 million) on revenue of 931 million yuan (US\$116.1 million), figures that stand for an 18- percent rise from the previous year. The eight-inch wafer facility reported an operating loss of 116 million yuan (US\$14.4 million). Advanced Semiconductor said it aims to use about half the net proceeds from the IPO to pay down short-term debt that will mature in 12 months. The balance of the proceeds will be used to expand its eight-inch wafer capacity. Advanced Semiconductor said it raised in 2005 a US\$100 million loan to finance its eight-inch production capacity.

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## *Telecommunications*

- **Some strong 150 mainland firms are expected to lead the Chinese contingent at Telecom World, the triennial industry gathering organized by the International Telecommunication Union (ITU), in Hong Kong this December.** The group includes China Telecom, China Netcom, China Mobile, China Unicom, China Tietong, Huawei Technologies, ZTE, China Potevio, Datang Telecom, FiberHome Technologies, Guangzhou Jinpeng and the TD-SCDMA industry alliance. Given the bulk of the participation, the gross area occupied by Chinese companies now totals 16,000 square meters. The participation of a number of these mainland firms at Telecom World was one of the factors that helped the Hong Kong government win the ITU's competitive bidding in 2003 to stage the event. About 900 exhibitors and 60,000 visitors are forecast to attend the event and generate about HK\$900 million (US\$116 million) for the tourism and business sectors.
- **In preparation for the launching of 3G in the Mainland, China Unicom disclosed that it is considering taking on a strategic partner in the form of a pure investor or a telecom operator.** The company said it is drafting transition strategies, even as nothing is determined yet whether a license for three different 3G standards would be given. China Unicom remains as the operator using both CDMA and GSM networks. The company lost 200 million yuan (US\$25 million) on its CDMA business last year. Its GSM business, however, made a profit of 7.2 billion yuan (US\$898.1 million). The search for a partner has a precedent for China Unicom: its parent China United Telecommunications Corp forged a joint venture with SK Telecom of South Korea for the development of interactive games for CDMA. In a separate report, China Unicom Ltd. announced a 9.7-percent rise in its net profit for the year 2005 to 4.9 billion yuan (US\$611.2 million) from 4.4 billion yuan (US\$548.8 million) in 2004. The company said its revenue went up by 10 percent to 87 billion yuan (US\$10.8 billion) from the 79 billion yuan (US\$9.8 billion) it posted in 2004 as total operating revenue from its GSM business increased by 9 percent to 52.1 billion yuan (US\$6.4 billion). For its CDMA business, it registered a 16 percent rise to 30.3 billion yuan (US\$3.7 billion). China Unicom said that its total number of subscribers hit more than 95 million in 2005, a 13 percent rise from 84.2 million a year earlier. The company said its CDMA subscribers increased by 34 percent to 32.7 million, as compared to 27.8 million in 2004.
- **Comtech Group Inc., a Chinese designer of mobile handset and telecom equipment, reported record revenue of US\$33.6 million, a 73.3 percent growth compared to US\$19.4 million reported in the fourth quarter of 2004.** For the quarter, the company also reported a 56-percent rise in its net profit to US\$3.5 million from US\$2.3 million the previous year. The company ascribed the good performance to the rising sales of all three of its businesses: mobile handset, telecoms infrastructure equipment and digital consumer electronic products. The company said the sales for its mobile-handset went up by 43.9 percent, while sales for its telecoms-infrastructures posted nearly 41 percent in its growth. Comtech said its digital home-entertainment product sales also registered a growth. For the full year 2005, Comtech reported revenue of US\$107.4 million, an increase of 42.1 percent compared to the US\$75.6 million reported during 2004. Net income was US\$10.8 million, compared to the net income of US\$7.5 million.
- **The country's Ministry of Information Industry (MII) announced that the government plans to install telephone lines in 10,600 administrative villages in China this year.** When completed, the move is expected to boost the rural areas' telephone penetration ratio up to 98.6 percent. According to MII, six State-owned telecom service providers – China Telecom, China Netcom, China Mobile, China Unicom, China Satcom and China Tietong – will be tasked with the installation of telephone lines in

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their respective areas. The project carries an investment of 15.9 billion yuan (US\$2 billion), aimed at bringing telephones to rural villages.

## Taiwan

### *Information Technology*

- **Mio Technology, the Taiwan-based subsidiary of manufacturing and logistics giant Mitac International revealed its plan to venture into the more lucrative own-branded products.** Mitac is looking to Mio's range of Mio Digiwalker GPS-enabled devices to give it the needed the brand name. Mitac has set up a US\$15-billion business in the 1990s doing product design and manufacturing for companies like Dell, Fujitsu and Siemens. The firm made 800,000 unit shipments last year, which gives the firm about an 8-percent market share. It is aiming at a shipment of 1.8 million units for 2006. Analysts are saying, however, Mio and similar GPS manufacturers have to wait for the completion of the European Galileo satellite navigation system in 2010. The US\$4-billion project is fitted with a technology that will allow users to pinpoint their global position to around one-meter, compared with the present 10-20 meters, an enhanced accuracy expected to generate a multi-million dollar market for location-based services.

### *Telecommunications*

- **Chunghwa Telecom revealed its intention to look for investment opportunities in Southeast Asia, with the company clarifying that the deals would not be in the form of a merger or acquisition.** Taiwan's largest telecom company by revenue, Chunghwa Telecom said it aims to boost its revenue base overseas. The move is a response to a near-saturated telecom market at home. Chunghwa Telecom said earlier it aimed to expand its broadband Internet operations into Thailand. The company said it already had a cooperation agreement with Thailand's TOT Corp to help support the rollout of ADSL, or asymmetric digital subscriber line, Internet services. In this strategic expansion overseas, Chunghwa Telecom said it would not limit itself to acquiring a financial stake in a company but would also look to expand its business by providing system support. In Taiwan, the company planned to focus on generating higher revenue by offering 3G-mobile phone services as it targets 1 million 3G customers by the end of this year, up from the present 313,000. At the end of February, the company's subscriber base was 8.1 million. Earlier this month, the company announced plans to launch its first early retirement program after it was privatized in August last year. The company is expecting to saving about NT\$4.5 billion (US\$138.6 million) through the workforce reduction.

## Hong Kong

### *Mobile/Wireless*

- **Sunday Communications announced that its integration with PCCW moved another level together with the appointment of Ian Stone, chief executive of its UK Broadband unit, to head the mobile arm from June.** The announcement confirms all the speculation, as Stone, the former head of SmartTone Telecommunications, returns to Hong Kong to replace Bruce Hicks, who has been Sunday's group managing director since January 2002. Sunday disclosed a loss of HK\$196.9 million (US\$25.3 million) for last year from a restated 2004 net profit of US\$4.3 million due to 3G network start-up expenses and a higher cost of sales. Sunday said it has re-branded its 3G service to PCCW Mobile as its parent company's sales team is also marketing Sunday's 3G service. The company also

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reported that its 2G customers registered an 8-percent year-on-year growth to 738,000. For the 3G business, the company's six-month free-trial campaign, which started in January, has attracted about 330,000 participants, of whom 110,000 have each received a free Huawei handset. The company said its revenue in 2005 from mobile services went down by 4 percent year on year to HK\$993.4 million (US\$128 million). Factors like increased customer acquisition costs, which include handset subsidies and discounts, caused a 22 percent jump in cost of sales. Sunday said finance costs rose by 60 percent to HK\$42 million (US\$5.4 million) due to a loan drawn down from PCCW for its 3G network build-up.

## *Telecommunications*

- **PCCW disclosed that revenue from its core telecommunications business posted a 1-percent growth to HK\$17.6 billion (US\$2.2 billion), with pre-interest, taxes, depreciation and amortization earnings declining by 1 percent to HK\$6.7 billion (US\$863.4 million).** PCCW also identified part of its HK\$197-million (US\$25.3 million) net loss from 79.3 percent-owned mobile unit Sunday Communications. The company said PCCW's mobile service would enable it to offer a comprehensive package of mobile, Internet, pay-television and fixed-line services. With more than 110 channels, Now has added customers to reach 554,000 from 500,000 in November. The company said its mobile unit needs time to be profitable although it does not aim at this point to invest in 3G and broadband television to the point of losses. The company's top official said he was confident about this year's prospects for PCCW, having been the world's first telecommunications leader to lift its fixed-line market share from 67 percent in the first half of last year to 68 percent in December.

## *Information Technology*

- **The Treasury Department announced the awarding of contracts valued at almost HK\$350 million (US\$45.1 million) to Unihub, a PCCW subsidiary, a move that revives the government's planned transition to an accrual-based accounting system.** This comes about 10 months after the department terminated contracts with IBM due to persistent delays. The contracts were put to retender in September last year, with Unihub winning the deal in January, and work beginning last month. Unihub, the information technology services arm of PCCW, secured a HK\$192.3 million (US\$24.5 million) deal to build the Government Financial Management Information System that is expected to help replace Hong Kong's cash-based accounting set-up. The remaining HK\$155.9 million (US\$20 million) will be paid to Unihub to host, maintain and support the system for six years. IBM's previous contracts also totaled nearly HK\$350 million (US\$45.1 million) although the hosting, maintenance and support deal was limited to five years.

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

### *Internet*

- **Digital Media Exchange Inc. (DME), an online game distributor said it is set to double its authorized capital following its expansion into online payment services.** The new capital is seen as reaching US\$5 million, with the funds expected from its partners like the Japan Asia Investment Corp. (JAIC), the third-biggest venture capital firm in Japan, California Pacific Capital, and a Taiwanese entrepreneur whose identity has not been disclosed. The company said the investment will help the company secure a significant share of the e-commerce market valued at some US\$3.5 billion in the Philippines. DME is a local pioneer in the field of interactive digital entertainment and manages popular online games. The company, through its new division called Mobius Online, said it will allow

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its 3.5 million Mobius gaming subscribers to pay for products and services such as prepaid cell phone cards, Internet cards, landline phone cards, VoIP (voice over Internet protocol) credits and game cards over the site. The subscribers use Mobius Online currency called ePoints to pay for game time and load up their various game accounts. DME is the host of the three of the most popular MMORPGs in the country: the epic MU Online role-playing game; the casual shooting game Gunbound, and an interactive online community called GoPets.

- **XMG, an IT research firm, said the number of Internet users in the Philippines was expected to more than double to 13.5 million by 2008.** The Canada-based research firm indicated that the projection showed a sharp increase from the estimated current 5.6 million. The study said that the increasing shift of Internet users to broadband connectivity is the driver behind this growth. XMG noted that 65 percent of subscriptions in the Philippines still employ dial-up connections.

## *Software*

- **Microsoft points to software piracy as costing the Indonesian economy billions of dollars each year and is the same factor that hinders the formation of a local information technology industry.** Citing a study done by the Business Software Alliance, a Microsoft Indonesia spokesperson said about 87 percent of computer software on the market in Indonesia last year was pirated. Representing an organization that represents manufacturers, the group cited problem in law enforcement and widespread corruption as just among the factors that made Indonesia the country with the fifth-highest rate of software counterfeiting in the world. The country follows Vietnam, Ukraine, China and Zimbabwe. Microsoft Indonesia forecast that a 10 percent-decline in piracy would already add US\$3.4 billion to the economy, following the figures from International Data Corp. Indonesia, considered Southeast Asia's largest economy, has currently less than 100 IT companies, compared to Singapore that, with a lower rate of piracy, is a home to between 400 to 800 IT companies.

## **United States/Canada**

### *Internet*

- **Google disclosed its plans to sell a further 5.3 million shares of its prized stocks in a bid to generate more than US\$2 billion that the company said it will use to finance its expansion plan.** Google said it aims to go beyond being a leading search engine. Google said it expected to sell the 5.3 million shares primarily to index funds who must own a stake in the company because it is now in the S&P 500. Industry observers are saying, however, that news of the offering is causing anxiety on the part of some investors who are worried that extra shares might make it harder for Google to reach the high earnings-per-share target set by analysts. Google said it expects to have 305.4 million shares outstanding after the latest offering, up from 271.2 million shares at the time of its IPO. Google's market value has increase by about US\$100 billion since the company went public. If the latest offering is priced near Google's current market value, the company sees the possibility of raising as much US\$7.5 billion from investors in the past 20 months. The company said it use the fund generated for its growing capital expenditure budget and possible acquisitions.

### *Mobile/Wireless*

- **The industry group behind Bluetooth wireless standard used in mobile phones and other small devices disclosed that the technology will take a leap in transmission speed.** Part of the promised change is the broadening its scope to enable high-definition video and files for digital music

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players like the iPod. The industry group said it would boost transfer speeds in the next few years by incorporating a new radio technology, known as ultra-wideband (UWB). Currently, Bluetooth works only for low-speed uses like headsets and wireless keyboards. UWB, which has yet to appear in consumer devices, enables wireless transmissions at speeds equivalent to USB or FireWire cables at distances up to 10 feet, is developed by another industry group, the WiMedia Alliance. The alliance is composed of companies that include Intel, Hewlett-Packard and Microsoft. Industry observers believe that technology linkup with Bluetooth will provide a way for devices with UWB hardware to identify each other and communicate.

## *Media, Entertainment and Gaming*

- **TiVo, through its lawyer, accused Dish Network, which is owned by EchoStar of stealing TiVo's technology for pausing live television.** TiVo said the firm did this even as other broadcasters already agreed to give TiVo a licensing fee. TiVo ascribes partly to the action of Dish Network the reason why TiVo has never made a profit despite the popularity of its set-top box, acknowledged to have changed the way Americans watch television. TiVo said it would ask the jury in federal district court for more than US\$12.8 million. TiVo also said that it would offer its invention to Dish Network for free if Dish paid for TiVo advertising. Observers are saying that TiVo winning the case could help boost its low financial performance and gain leverage to force cable operators to pay royalties for offering customers TiVo-like service. Analysts say the outcome also will affect TiVo's stock, which is up 38 percent so far this year. Lawyers following the case said the company was probably seeking an amount equal to what Dish Network would have paid TiVo if it had licensed TiVo technology in 2001, when TiVo received a patent on the technology. EchoStar earned US\$1.5 billion last year as Dish Network has grown to 12 million subscribers. EchoStar said it has filed a countersuit against TiVo.

## *Software*

- **Microsoft announced its move to defend itself before European Union regulators who say the company has not complied with an order to give software developers information to make their products work with Windows.** The EU has threatened to fine the company US\$2.4 million a day backdated to December 15, saying the technical manual it provided that month needed major changes to make it usable. Microsoft indicated that the documents satisfy industry standards, and insists that the EU did not really clarify what it wanted in the first place. The EU said it rejects Microsoft's explanation. The recent charges are based on reports from an independent monitor and other experts as well as discussions with the software companies that license the communications code at the heart of the dispute. Microsoft said it will also appeal the European Commission's March 2004 decision that concluded that the company eased out rival media players out of the market and held back technical information that would help software developers make products that worked with Windows. EU ordered the company to pay a record €497 million (US\$602.1 million) fine and effect changes to the way it did business to solve the antitrust problems. Specifically, Microsoft was told to share information with rivals and market a version of Windows without its media player software. The EU also expressed concern for the first time that Microsoft's new Vista operating system could break antitrust rules.
- **Red Hat announced a fourth-quarter profit of US\$27.3 million, up from US\$11.8 million from the same period last year.** For the full fiscal year, Red Hat said its profit climbed to US\$79.7 million, up from US\$45.4 million, the year before. Its revenue posted a 42-percent rise to US\$278.3 million, up from the last year fiscal year. Analysts had projected revenue of US\$277.7 million, with revenue seen as posting a growth within the range of US\$370-US\$375 million. The company noted that customers in Europe and Asia especially are willing to move away from technology based on Microsoft's Windows

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operating system towards open-source software. Sales also were increasing to small- and medium-sized businesses. Open-source operating systems allow users to copy, distribute, and modify the program's code. Proprietary systems such as Windows do not allow users to modify its secret code. Red Hat develops software based on the free Linux system and refines it for business and government users. The company disclosed an investment of US\$17 million it made in equipment last year and US\$20 million this year. The investment was mostly for internal systems that enable more efficient operations for Red Hat.

## Europe

### *Internet*

- **Ericsson announced the introduction of an integrated broadband network portfolio, combining Ericsson and Marconi's product ranges in broadband access and transport networks to facilitate operators' transitions to high performance broadband networks.** The integrated portfolio is expected to enable Ericsson to offer an end-to-end range of infrastructure solutions and services to operators looking to deploy all-IP networks. The broadband network portfolio comprises broadband access solutions such as IP-DSLAMs, IP-Multi-Service Access Nodes (IP-MSANs), microwave and optical transport and Ericsson's IMS and soft-switch solutions. The offering will be backed up by the company's design, integration and service capabilities.

### *Media, Entertainment and Gaming*

- **Double Click, a digital advertising technology company, said it has agreed to acquire Falk E-Solutions, an online advertising and marketing company based in Germany.** The companies have not disclosed financial details of the transaction, which is expected to close before the end of the month. With the acquisition, Double Click will add to its global presence, especially in Europe. The deal will nearly double the company's headcount in the region with the acquisition of Falk's offices in Düsseldorf and Amsterdam, as well as its global development centre in St Petersburg. These assets are expected to give Double Click sizeable engineering hubs in North America, Asia and Europe.

### *Software*

- **Opera Software said it has secured four new contracts that are expected to help in the dissemination of the use of its mobile phone Internet browser worldwide.** The company said contracts for its Opera Mini browser were signed with PriceRunner of the U.S., High Technologies in Latvia, Small Planet in Russia and the Baltics, and Unwire in Denmark. Under the deal, these companies will distribute Opera Mini in 180 countries. The four companies will also be engaged in the active promotion and distribution of both regular and customized versions of Opera Mini to their customers. Opera Mini only requires low-cost mobiles capable of running a small Java program. The announcements were made after Opera disclosed similar deals with the German groups T-Mobile International and debitel, and Norwegian Telenor subsidiary GrameenPhone in Bangladesh. Opera's browser has been gaining popularity in terms of use in mobile phones and personal digital assistants. Opera Software is based in Norway.

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