

IRG WMR



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

Week of 9 April - 15 April, 2006

For more information on IRG, please email communications@irg.biz or visit www.irg.biz.

Hong Kong (HQ)

No.1-2A, 17/F, The Centrium,
60 Wyndham Street, Central,
Hong Kong

Tel: (852) 2237 6000
Fax: (852) 2237 6100

Singapore

5 Rhu Cross, #04-16
Olivia Block, Singapore

437434 Singapore
Tel: (65) 6325 1191
Fax: (65) 6348 9583

Japan

JT Building 15Fl, 2-2-1
Toranomon, Minato-ku,

Tokyo, Japan 105-0001
Tel: (813) 5114 8395
Fax: (813) 5114 8396

Korea

37/F, Asem Tower, Samsung-
dong, 158-1, Kangnam-gu,
Seoul, Korea

Tel: (822) 6001 3840 ext. 3841
Fax: (822) 6001 3711

Philippines

2/F, State Condominium Bldg.,
186 Sacledo St. Legazpi Village,

Makati, Philippines
Tel: (632) 728 5307
Fax: (632) 728 5307

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



Week of 9 April- 15 April, 2006

Table of Contents

Weekly Highlights	3
International	3
Japan	4
Korea	6
China	10
Taiwan	13
Hong Kong	14
Singapore/Malaysia/Philippines/Indonesia	14
United States/Canada	15
Europe	17

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



Week of 9 April - 15 April, 2006

Weekly Highlights

International

Semiconductors

- **High demand for PCs using Pentium and Centrino processors helped Intel remains at the top of the semiconductor market, a position ascribed to the high demand for PCs fitted with Pentium and Centrino processors in 2005, according to Gartner Inc.** Intel registered an 86-percent rise to US\$27.5 billion, which earned it an 86-percent market share. The report indicated a 5.7 percent increase in the global market for semiconductors to US\$235 billion from US\$223 billion in 2000. Gartner said a big portion of this growth was attributable to the demand from commodity memory chips. The huge number of cellular phone consumers and MP3 music players caused the surge in the growth of memory chips and pushed Samsung Electronics Co. Ltd. to maintain the second-largest market share. The demand for NAND flash in the market contributed to the rise by 71 percent from 2004 to US\$12 billion. On this demand of NAND, Hynix Semiconductor Inc. made it to the top-ten list for the first time by posting a 23.1-percent annual growth in its revenue, which was nearly double the rate of Intel (12.6 percent) and Samsung (12.7 percent). The report noted other fast-growing segments of the semiconductor market and these included CMOS image sensors, which are used in digital cameras, growing by 28 percent, consumer ASICs used in digital audio players, growing by 14 percent, and wireless ASICs used in cell phones, by 9 percent. Gartner said the greatest source of industry growth in terms of site was the Asia/Pacific region (including China, Taiwan, Korea and Singapore) which produced 44.5 percent of worldwide revenue and also grew the fastest, rising 11 percent from last year. Registering a rise by 4 percent were the regions covered by Europe, Middle East and Africa. The American region posted a 1-percent rise, followed by Japan with a tiny growth of 0.2 percent.

Internet

- **The U.S. lags behind South Korea, Canada and much of northern Europe in rolling out high-speed Internet access, according to the latest survey made by the Organisation for Economic Co-operation and Development (OECD).** The report placed the U.S. at No. 12 among the 30 industrialized member states of the Paris-based organization. The rank is a notch higher from its 13th place a year earlier. No. 1 in the survey was Iceland, with 26.7 subscriptions per 100 inhabitants, according to the OECD survey, which was based on government data as well as telecommunications operators' published figures. Slow as the country may be in adopting broadband technology, Japan is the leader in the fiber optic Internet services, the study found. The study noted that Japan took advantage of its high population density to invest in next-generation infrastructure. South Korea saw its fiber-based connections post 52.4 percent growth last year. OECD noted that DSL remains the most common Internet services platform in 28 of the 30 countries, with an overall market share of 62 percent, with cable accounting for 31 percent of broadband subscriptions. Other platforms, which include satellite, fiber and fixed wireless, grabbed the remaining 7-percent share.

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



Week of 9 April - 15 April, 2006

Japan

Internet

- **Nifty Corp., a major Internet service provider, announced its plans to distribute highlights of World Cup soccer matches over the Internet when the tournament kicks off in Germany this June.** Nifty will offer the broadcasts free of charge to its subscribers, who can view them on their personal computers or mobile phones.
- **Livedoor Co. revealed its move to acquire affiliate Livedoor Marketing Co.'s entire stake in Cecile Co., turning the major direct marketer into a subsidiary.** The company said it will acquire the interest in Cecile for 20.2 billion yen (US\$170.8 million), or 830 yen (US\$7) a share. Cecile's stock has been trading at around 700 yen (US\$5) since mid-February. To finance the transaction, Livedoor said it will cancel a portion of its 30 billion-yen (US\$8.4 million) loan to Livedoor Marketing. Livedoor bought the Cecile stake last November at 1,000 yen (US\$8) per share, which means that Livedoor Marketing will face a loss of slightly more than 4 billion yen (US\$33.8 million) from the sale.
- **Rakuten Securities Inc. reported that its number of accounts surged 122 percent from a year earlier to 552,816 as of March 31, a figure that marked the sharpest gain of the five major online brokerages.** The five firms had a combined 3.3 million accounts, after posting 87-percent growth from a year earlier. The second-highest gain was reported by kabu.com Securities Co., which merged with Me Net Securities Co., an online brokerage of the Mitsubishi group, in January. The 104-percent growth at kabu.com to 475,425 has been ascribed to the popularity of original services such as senior citizen discounts. E*Trade had 1,167,778 accounts as of March 31, which represents the third-sharpest increase at 97 percent. Matsui Securities Co. saw a 92-percent rise in its accounts to 517,521, a growth that it attributes to the announcement it made in January to cut commission rates. Monex Inc., a unit of Monex Beans Holdings Inc., posted a 44-percent rise to 631,548 accounts.
- **Nexon Holdings, a holding company for the Nexon group, announced that it recently sold 100 percent of its Nexon shares to Nexon Japan, a move that makes Nexon at present a 100-percent owned subsidiary of Nexon Japan.** This has brought on speculation from industry experts that Nexon Japan is preparing for an IPO on the Japanese stock market.
- **Usen, the Japanese cable broadcaster behind the acquisition of a 13-percent stake in Livedoor, disclosed that it may acquire as much as 50 percent of the Internet company.** Usen said it is now considering buying a stake in Livedoor through a stock swap. The deal sees Usen making the acquisition depending on the results of an assessment of the company's financial assets. Without issuing a comment on this acquisition, Usen, however, said that it is looking into stronger ties with Livedoor.
- **Murata Mfg. Co. announced that it will acquire as early as this month, SyChip, a U.S. telecommunications start-up specializing in wireless Internet telephony and electronic components in a deal valued at 16 billion yen (US\$134.7 million).** The acquisition is seen as boosting Murata's efforts to incorporate Internet telephone functionality into its mobile phone components. The transaction for all of SyChip's shares will be conducted via a U.S. subsidiary of Murata. SyChip was established in 2000 by a former employee of Bell Laboratories, the R&D arm of Lucent Technologies Inc. The firm develops and markets the IP (Internet Protocol) telephony modules and software for such devices as cellular phones and personal digital assistants (PDAs). The company reported sales reaching nearly 2 billion yen (US\$16.8 million) with the figure projected to climb to 8 billion yen (US\$67.3 million) for 2007. Use of mobile IP phones is currently limited, but demand is

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



Week of 9 April - 15 April, 2006

expected to grow worldwide because the technology slashes communications costs. Japan's Ministry of Internal Affairs and Communications is expected to authorize its use as early as next year.

Mobile/Wireless

- **Kyocera Corp. announced its plans to develop an inexpensive cellular phone for the Chinese market in an all-out effort to survive in the world's largest mobile phone market.** To be developed by Kyocera's local production subsidiary, this device will be basic, with its extras limited largely to text messaging. It will have a price tag under 400 yuan (US\$50), compared to other lower-priced models that usually sell for around 500 yuan (US\$62). The phone is expected to go on sale by year-end. Kyocera now offers mainly feature-rich cell phones that include camera and music playback functionality. It sold roughly 500,000 cell phones in China in fiscal 2005, a share that does not even reach 1 percent of the market. Kyocera's global cell phone sales came to around 11.5 million units in fiscal 2005, a figure it aims to increase by 10 percent in fiscal 2006 through the launch of its low-priced model in China and including those models to be deployed in the Russian market.

Media, Entertainment and Gaming

- **Industry sources said a panel discussing telecommunications and broadcasting has begun considering establishing a joint venture between NHK and commercial television networks.** NHK is Japan's public broadcaster, officially known as Japan Broadcasting Corp. The panel is reportedly looking for reference, such as France's Chaine Francaise d'Information Internationale, or French International News Network. This 24-hour satellite TV news channel was set up as a stock company, with France's public broadcaster and a commercial network each taking a 50-percent stake. The panel stated that, in addition to satellite broadcasts, it sees the Internet as a medium for the joint venture to transmit information. The panel said it will look into taxes as a fund source as well as the prospect of commercials.

Software

- **Itochu Techno-Science Corp., known as CTC, announced its plans to invest some 6 billion yen (US\$50.7 million) to completely overhaul its core office systems by April 2008.** Under the plan, some 30 disparate office systems focused on core tasks like accounting and sales management will be integrated into a single system. CTC said it will begin the project this month with the goal of completing the overhaul in two years. The plan is to construct a new integrated core system based on Oracle E-Business Suite, a set of enterprise resource planning software applications developed by Oracle Corp. Up until now, CTC has upgraded its core systems as it expanded, but never in an all-encompassing fashion, so that there is no integrated way to share information across the platforms used by sales, accounting and such businesses as its server maintenance service.

Hardware

- **Sony Corp. and Samsung Electronics Co. announced a basic agreement to build a second plant in South Korea for their LCD panel joint venture S-LCD Corp.** The companies said the new plant will be equipped with state-of-the-art eighth-generation facilities that can efficiently produce large LCD panels for flat-screen televisions. The new plant will be built near the first one, which started operating in April last year. It will cost an estimated 300 billion yen (US\$2.5 billion), including expenses to develop the land. The two companies said they will sign an official agreement after deciding how the cost will be divided between Sony and Samsung and finalizing other details. With the new plant, Sony and Samsung are bracing themselves for an intensifying race in screen size with plasma TV makers, of whom Matsushita and Hitachi Ltd. have already unveiled hefty investment plans.

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



Week of 9 April - 15 April, 2006

Information Technology

- **East Japan Railway Co., known as JR East, announced that its plan to expand the uses of its Suica prepaid smart card to include paying for taxi rides.** The company said it will partner with two leading taxi fleet operators in the greater Tokyo area that combined have more than 6,000 taxis on the road. Starting in 2007, these taxis will be fitted with terminals for the Suica card, allowing passengers to pay with the same card they use for train commutes and other JR East services. In another development, BitWallet Inc., which promotes the Edy e-cash card, disclosed that it aims to introduce Edy terminals in some 2,000 taxis in the greater Tokyo area beginning in May.
- **Image Information Inc., a Tokyo systems integrator, announced that it will go public on the Osaka Securities Exchange's Hercules Market.** The company provides an integrated range of system integration services, from devising system introduction plans to providing system management and maintenance, which together account for more than 60 percent of total sales. The firm counts among its chief clients financial institutions, such as UFJ Nicos Co., as well as major manufacturers. The firm also offers information security services and promotes services to help shopping malls introduce credit card-based payment systems that use payment terminals placed at individual stores in each area. Image Information estimates parent-only pretax profit to have risen 46 percent year on year to 244 million yen (US\$2 million) on sales of 1.3 billion yen (US\$10.9 million), marking 4-percent growth for the year ended March 31. It expects to raise about 800 million yen (US\$6.7 million) through the IPO, and use the fund to upgrade its data center and other capabilities. Shinko Securities is the lead manager of the offering.

Korea

Internet

- **Samsung announced the signing of an agreement with Arialink, a local carrier in the State of Michigan for commercial mobile WiMax service in the U.S.** Arialink said it will start test service in the first half of this year before the launch of commercial service in the city of Muskegon, Michigan next year. The regional service provider offers WiBro service including broadband Internet and voice communication on 2.5GHz band. In a separate development, the U.S. will reportedly join the 5 other countries such as Korea, Brazil, Venezuela, Croatia and Italy where WiBro commercial service is available. Samsung said it has concluded agreements with operators in 7 countries such as Japan (KDDI), the US (Sprint Nextel), Italy (IT), the UK (BT) and Brazil (TVA) for the delivery and commercial service of WiBro.
- **SK Communications said it will start an online open market (C2C) service on Cyworld next month. The company said Beta service will start May 15, with the commercial service to begin at the end of May.** SK Communications disclosed its plans to utilize Cyworld's 7 million user base, a move that is seen as making it the third-largest player in this market, behind Auction and G-market. The new service will also be linked to portal site Nate's online shopping mall, Nate Mall.
- **South Korea has 12.4 million broadband subscribers as of the end of February, up 317,000, or 2.6 percent, from a year earlier, according to data from the Ministry of Information and Communication.** Powercomm signed up as many as 390,000 users in the past six months. Smaller cable-based carriers also registered 340,000 users in the past year. In contrast, Hanarotelecom lost 440,000 subscribers, if the users of Thrunet, a broadband carrier it had taken over, are excluded. KT Corp., the country's biggest broadband service operator, also stopped short of adding 154,000 users

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



Week of 9 April - 15 April, 2006

during the same period. Hanarotelecom is currently maintaining 3.6 million subscribers in total, which accounts for 29 percent of the high-speed Internet market. Smaller regional cable-based carriers have 1.24 million subscribers as of the end of February, accounting for a 10.2 percent share of the market. Powercomm's share is now 3.1 percent. The data shows the existing structure dominated by two heavyweights KT and Hanarotelecom is now being diminished, with Hanarotelecom expected to lose further subscribers because some existing subscribers may switch to regional operators. KT is also losing ground to the so-called "double play service", a service that pieces together high-speed Internet access and cable TV channels, which is proving to be cheaper than the stand-alone package offered by KT and Hanarotelecom.

- **Dacom Corp., South Korea's No. 2 fixed-line carrier, announced that it is targeting sales of 1.2 trillion won (US\$1.2 billion) this year, considered its largest amount ever and represents an 8-percent rise from a year earlier.** The company said it's aiming to also to step up efforts to lower its debt ratio to below 90 percent from 118 percent recorded at the end of last year. To achieve this, Dacom said it will strengthen its existing business profile, while trying to find new growth engines and focus on customer satisfaction. Dacom said it plans to form alliances in TV commerce, which includes initiating a TV-banking and TV-stock trading in the latter half of this year. The company said it plans to introduce new telephony services such as Wi-Fi phone and intelligent network service. Concentrating on customized solutions for each market segment and new businesses, the company will tap into new markets such as e-credit and SMS. In a separate development, Dacom earlier disclosed that it will join forces with Powercomm to expand apartment LAN coverage and widen the optical LAN coverage to 6 million households by year end.

Mobile/Wireless

- **The nation's three wireless carriers, SK Telecom, KTF and LG Telecom, announced that they have begun integrating applications and drivers used for PC synch as part of networking convergence.** Many of their offerings such as MelOn, Toshirak, GXG and G-pang are designed to download fixed-line content to mobile handsets. SK Telecom has developed an integrated USB driver and a PC synch application, and asked mobile phone makers to adopt the new technologies. Earlier, the company launched a mobile phone with an integrated driver, and now plans to adopt the new driver for Samsung Electronics and LG Electronics phones. KTF is seeking a solutions partner to develop a USB integrated driver and a PC synch application, and LG Telecom is considering adopting SK Telecom's integrated driver. The three wireless operators say that they intend to improve user convenience since different types of drivers have caused users to experience some errors during installation. They also point out that manufacturers do not have to pay royalties to multinational firms any more with a new integrated driver.
- **The South Korean government announced that it will set aside 46 billion won (US\$48.3 million) over the next five years to create "special cell-phone districts", in a bid to help local cell phone operators test new products at cheaper prices.** The districts will offer various frequencies to enable the testing of new handsets and other mobile devices produced by South Korean companies by 2010. Many domestic mobile companies are required to go to places such as Europe to test their new products, a process that takes a lot of time and costs a lot of money. The ministry said it will form a task force consisting of experts from government, industry and academia in the second half of this year and will determine the locations for the districts by the end of the year. The plan, dubbed "M-1," or Mobile One, is a follow-up on what the ministry unveiled earlier this year for its 2006 business blueprint, which was focused on boosting the ubiquitous environment. As part of its plans to

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



Week of 9 April - 15 April, 2006

boost the competitiveness of South Korean mobile companies, the ministry said it will step up efforts to increase the number of wireless broadband Internet users to 10 million by 2010.

- **Pantech, the second largest handset maker in Korea, announced its shipment of GSM phones to the U.S. for the first time in its history, with two of its handset models to be marketed by Cingular, the largest wireless carrier in the US, starting this month.** Pantech said it is also in negotiations with T-Mobile over mobile handset supplies. Pantech disclosed that it expected to sell between 1.5 million to 2 million units of GSM phones this year in the U.S. In 2005, Pantech said it sold 7 million CDMA phones in the country. It increased its sales target to 9-10 million for this year, ascribing the figure to an increase in GSM phone supplies and further alliances with MVNO providers.
- **Subscribers of terrestrial DMB's free service outnumbered those of paid satellite DMB service, according to the Special Committee for Korean Terrestrial DMB.** The report said 506,000 people bought terrestrial DMB handsets by late March, overtaking the satellite DMB in three months after the sale of T-DMB handsets was initiated. As of the end of March, the number of satellite DMB subscribers is 498,000. The Special Committee predicts that SK Telecom's entry into the DMB phone distribution will widen the gap. Currently KTF offers 4 T-DMB phone models, while LGT offers three models. SKT is expected to release another model at the end of this month or early next month.
- **KTF announced that it will buy back 153 billion won (US\$159.1 million) in shares this year, with the company not clarifying when the buyback would take place.** Earlier, KTF said that it would return 50 percent of 2005 net profit to investors. In March, the company paid out 120.7 billion won (US\$125.5 million) in cash dividend. KTF said the remaining 153 billion won would be in the form of a share buyback.

Media, Entertainment and Gaming

- **TU Media said it made a proposal to the National Assembly of South Korea on the easing of restrictions for large companies to invest in satellite broadcasting operators.** With the proposal, TU Media is suggesting that the investment in capital limit be raised to over 49 percent from the current 33 percent. TU Media emphasized the need for additional investment from large corporation as they expect huge losses on their satellite DMB business due to the ban on retransmission of terrestrial content, money spent on content development and gap filler installments, and the slowing growth rate of subscribers. Sources are saying that the country's Culture & Tourism Committee is currently working on a revised bill that will deal with this issue. Already, a bill has been submitted to raise the limit from 33 percent to 49 percent for Sky Life only, while another bill is asking that the limit be raised to 49 percent for both Sky Life and TU Media. According to the current law, large corporation can invest up to 33 percent in broadcasting companies. An official at TU Media said that the current restrictions must be eased so that they can receive the funding they need from their parent company in the form of equity investment.
- **The Ministry of Information and Communication of South Korean disclosed that the U.S.-based chipmaker Qualcomm will not be able to secure the needed radio frequency band, a situation that pushes back its chance to launch its video-on-the-go services called MediaFlo.** The ministry cited the lack of available broadcasts as the reason for the decision. The announcement said that if Qualcomm tries to consolidate MediFlo with the country's broadcasting services, the company would still need a radio frequency. Developed by Qualcomm, the creator of wireless telephony platform code division multiple access (CDMA), MediaFlo is an end-to-end solution that enables multicasting of high-quality video and audio streams. The air-interface MediaFlo system uses

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



Week of 9 April - 15 April, 2006

over-the-air signals to deliver video and audio channels to mobile gadgets, which then makes the need for a frequency crucial to it.

- **CNM Communication, the largest multi-service operator in Seoul area and Seoul Media, a subsidiary of CNM, announced their entering an alliance with Empas, an Internet portal.** Under the alliance, CNM and Seoul Media will provide news of the local channel 4, events and culture, and entertainment via the movie search of Empas. Seoul Media is a production company that creates programs and provides them to the channel 4 of CMN with 15 broadcasting zones in Seoul and Kyunggi Province.
- **Neowiz announced that it is starting a game portal service, through its subsidiary, Neowiz Japan.** The company said that the Gamechu site will start off with R2Beat, a music racing game, and popular casual games such as mahjong and pachinko. Neowiz Japan disclosed that it is looking to strengthen its presence as a game publisher in Japan by seeking partnerships with local game developers.

Hardware

- **LG Philips declared an 85.4-percent decline in its first-quarter net profit from the pervious quarter, a result it ascribed to drop in demand and selling prices.** For the three months to March, the Dutch-Korean LCD joint venture posted a net profit of 48 billion won (US\$50 million), compared to a loss of 790 billion won (US\$827 million) a year ago. The company said its sales went up by 19.7 percent year on year but posted a 17-percent quarter-on-quarter decline to 2.4 trillion won (US\$ 2.5 billion, figures that are ascribed by the company to a drop decline in demand and a fall in the average selling price in notebook and monitor panels. The company said its operating profit was 52 billion won (US\$54 million, compared to a loss of 135 billion won (US\$141 million) a year earlier.

Telecommunications

- **SK Telecom announced the deployment of a roaming autodial service that will allow users abroad to make phone calls by only dialing telephone numbers excluding access number and national code.** The service automatically creates the access number and the national code as a roaming service user dials the phone number. The new service is now for 149 types of WIPI phone users and auto-roaming subscribers, but will extend to all types of handsets and subscribers to semi-automatic and rent phone-roaming service from June.
- **Nortel Networks, the Canadian telecom equipment giant, expressed its confidence in leading the launching of mobile WiMAX, also known as WiBro and HSDPA service, in South Korea.** Nortel said that it would equip itself with WiMAX portfolios adoptable to wired and wireless telecom companies to expand its presence in the country. An official of the Mobility and Converged Core Networks said that the second half of the year would see changes of the dynamics in mobile WiMAX market that used to be led by Samsung. Nortel said that it would take up 50 percent of South Korea's WCDMA and 70 percent of HSDPA market once the services are available.

Ventures/Investments

- **Among domestic firms in South Korea, Samsung Electronics topped the research and development spending rank in 2005, with the firm making a total investment of 5.4 trillion won (US\$5.6 billion) in the area.** Samsung was followed by LG Electronics, with 1.2 trillion won (US\$1.2 billion), KT with 397.6 billion won (US\$413.4 million) and Samsung SDI with 362.4 billion won (US\$376.8 million). NCsoft topped the R&D spending in proportion to revenues with 19.9 percent, and Hunid Technologies (18.2 percent), Pantech (16.7 percent), Mirae Industries (13 percent) and

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



Week of 9 April - 15 April, 2006

Samsung Electro-Mechanics (12.4 percent) also invested heavily in R&D versus revenues. According to the Korea Stock Exchange, among listed firms with fiscal year 2005 ended in December, 67 electric and electronics and communication firms spent a total of 9.1 trillion won (US\$9.4 billion), marking a 10.8 percent rise compared to 8.2 trillion won (US\$8.5 billion) in 2004.

China

Internet

- **China Southern said it has sold more than 16 million e-tickets, a figure that accounts for over US\$1.2 billion in online sales, since it launched the service six years ago.** The Guangzhou-based carrier said it is selling an average of 570,000 electronic tickets each month, accounting for at least 20 percent of its total sales. The firm said it has sold some 600,000 e-tickets in March, accounting for over US\$41 million in sales. Online ticket sales for the airline reached 400,000 in February, while some 500,000 tickets were sold in January, which brought in US\$31 million and US\$50 million respectively. China Southern was the first Chinese airline to sell airline tickets online in the year 2000.
- **Intel China Ltd., a subsidiary of Intel Corp., and Baidu, the leading Chinese language Internet search provider, announced the signing of a memorandum of understanding (MoU) for cooperation in the development of Internet search and related applications in China.** Under the agreement, the two companies said they will cooperate in advancing Internet search applications for laptops, handsets and PC in the digital home environment, coupling Intel's server platform with Baidu's backend search systems to achieve optimized performance and operational stability. Intel and Baidu said they will optimize the use of each other's competitive advantage and experiences.
- **Sina announced the signing of a deal with the Association of Independent Music (AIM) to offer music and video clips from music companies in the UK via a UK Music area of the largest portal in China.** The deal is seen helping develop a potential market for live performances, downloads and ring tones featuring music from the UK. Currently, Sina has about 180 million registered users, which are expected to help spread music of AIM members in China. The deal is supported by government agency UK Trade and Investment and was brokered by AIM's consultants in China.

Mobile/Wireless

- **Huawei Technologies Co. Ltd., a telecoms provider of next generation networks, announced the signing of a contract for the construction of a UMTS network with Vodafone in the Czech Republic.** Under the deal, Huawei will provide a UTRAN system based on the new generation Node B technologies for Vodafone's operations in the Czech Republic. The signing of the contract marks the beginning of cooperation between these two companies after Huawei was chosen as one of Vodafone's preferred suppliers in November 2005. A top official also said the Czech project is the first step in the cooperation between Huawei and Vodafone in 3G network construction. Vodafone, providing mobile services in 26 countries, and working jointly with its partners to provide mobile services in another 31 countries, is considered the largest mobile operator in the world.
- **China's revenues from wireless music are expected to hit 13.5 billion yuan (US\$1.6 billion) by 2008, according to Analysys International.** The report said wireless music subscribers will reach 114 million in 2008, a figure that would make up 20 percent of total mobile phone subscribers in China by that period. The research group cited that China's wireless music market size reached 176 million yuan (US\$22 million) in 2003 and went up to 7.1 billion yuan (US\$885.4 million) in 2005, with compound

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



Week of 9 April - 15 April, 2006

annual growth rate (CAGR) of 539 percent. Analysys International said, in the wireless music market in China, Color Ring Back Tone (CRBT) service posted the highest growth from 2003 to 2005, reaching CAGR of 1421 percent; music-related WAP/MMS market size posted a 347-percent of increase in CAGR; IVR (Interactive Voice Response) music-on-demand service market posted a 376-percent rise in CAGR.

- **China Wireless Technologies revealed its plans to launch the world's first dual-mode 3G smartphone by August; an offering that will enable users to connect to a GSM network and a local 3G network and to receive two calls at once.** The company noted that even as some firms like Motorola, LG and Samsung have devices that connect to China's 3G standard TD-SCDMA, there is no handset yet that allows simultaneous connectivity to GSM. China Wireless designs smartphones and back-end systems supporting its handsets based on its proprietary operating system tailor-made for various industries. China Wireless reported a net profit in 2005 of HK\$50.8 million (US\$6.5 million) from HK\$43.6 million (US\$5.6 million) a year ago, which represented a rise of 16.5 percent. China Wireless faces competition from Research In Motion (RIM), a Canadian wireless set to launch an e-mail service with China Mobile in the Mainland by the middle of this year.

Media, Entertainment and Gaming

- **Tom Group Ltd., Sun Media Investment, and Sina are China's top three leading private media firms, according to the 2005 Ranking of China's Leading Private Media Enterprises.** The Tom Group Ltd. leads in the three categories of total assets, net assets, and business revenue. Sun Media Investment is No. 1 in total profit, while SINA is at the top in company brand recognition for the second consecutive year. This year's listing includes the other enterprises: NetEase, Tencent, Shanda, Sohu.com, Phoenix TV, Focus Media, Clear Media, Baidu, Kongzhong.com, 9 City, Stellar Megaunion, Enlight Media, Wealth Media, DAHE and Joyful Media. The survey indicated that all the companies in the list registered a combined asset value of 41.3 billion yuan (US\$5.1 billion) and an average asset value of 22 million yuan (US\$2.7 million). The top 10 companies all have asset values over 1.7 billion yuan (US\$212 million), with the leader, Tom Group Ltd, having total assets valued at 8 billion yuan (US\$997.6 million). The net asset value of the group is 27 billion yuan (US\$3.3 billion), with the average net asset value per company being 1.5 billion yuan (US\$187 million). With the report, Tencent Holdings Co. Ltd., with 2005 profits of 957 million yuan (US\$119.3 million) replaces NetEase as China's most profitable Internet company.
- **9you, a Shanghai-based online gaming company registered its 100 millionth user account.** The company said its online game Audition had 80 million active user accounts, 100 server groups and 600,000 peak concurrent users. According to the report, the company will start beta tests of its new online game Burst A Fever (O2Jam II) and will update its online game Super Dancer Online soon.
- **Ozura Mobile, a wireless entertainment publisher, announced the expansion of its current partnership with Chinabyte to include an exclusive cooperation agreement to distribute Ozura games World Soccer 2006, 1943 SkyWar and Ultimate Derby Horse Racing China.** Analysts say the partnership between Ozura and Chinabyte is of key strategic benefit to both parties as they see Chinabyte strengthen its position in the Chinese marketplace, and benefiting from Ozura's leading mobile gaming content and extensive game catalogue. The mobile entertainment market is exploding in China with its current subscribers of 400 million projected to reach 570 million by 2008, thus making it the largest and fastest-growing wireless market in the world. According to ARC Group, a leading wireless industry research firm, mobile entertainment revenues in China will reach US\$3.6 billion by 2008. Ozura Mobile is a leading international developer and publisher for mobile games and game

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



Week of 9 April - 15 April, 2006

developer engine to carriers, aggregators, mobile phone manufacturers and service providers. ChinaByte is a leader company of IT online media, wireless value added and IT information services provider in China.

- **Joy Media Group, a leading privately owned media group in China, announced the acquisition of what is considered the largest Chinese language literature web site Rongshuxia.com in a deal valued at US\$ 5 million.** The company said the purchase is the first step in its aim to concentrate more on China new media business. Observers note that the rich literature available on this web site is expected to become a great source for the company's TV and movie production business. Joy Media said it is looking to working with China Film Group Corporation to produce more than 20 TV plays and movies based on the content of Rongshuxia's online literature. The website currently has 5 million registered users, with over 8,000 original literary works posted on the web site each day.

Software

- **Founder Technology Group, a Chinese computer maker, announced the signing of an agreement with Microsoft as part of an overall effort to crack down on widespread software piracy in China.** A top official of Founder Technology indicated that the company would be purchasing licenses for a Chinese version of Windows valued at some US\$250 million over the next three years. The two companies said they also agreed to work jointly in the promotion of the use of genuine versions of Windows. Piracy is always reported to be rampant in China, a condition that has been seen as blocking efforts of Microsoft to post profit in the huge Chinese market. Earlier, PC manufacturer Tsinghua Tongfang signed an agreement to purchase US\$120 million worth of Windows licenses over the next three years for the Chinese market, a move that is seen as part of a concerted effort in the Mainland to boost the use of legitimate Windows versions.

Hardware

- **China's export of color TVs increased by 64 percent to 5.8 million in January, with the total value increasing by 68 percent to US\$610 million, according to statistics from the General Administration of Customs of China (GAC), compared with that in the same period last year.** The markets for China's export of color TVs were mainly the EU and the U.S. In that month, with the export to the EU reaching 1.4 million sets, a growth of 70 percent year on year while color TVs exported to the U.S. reached 1 million sets, a rise of 55.2 percent year on year. The report said that some 2.1 million sets of CRT (cathode ray tube) color TVs were exported, a 26-percent growth year on year, and accounting for 36.1 percent of the total export of color TVs during the same period. Flat panel color TVs exported in January reached 556,000 sets, with the net growth of exports reaching US\$130 million.
- **The country's Ministry of Information Industry, the State Copyright Bureau, and the Ministry of Commerce, said it has released notices enjoining all computer manufacturers to pre-install legal operating system software in their machines.** The move is aimed at reducing sales of pirated software and to ensure that all software used by government officials is legitimate.

Semiconductors

- **Applied Materials Inc., a firm that supplies manufacturing systems and related services to the global semiconductor industry, announced its construction of a global R&D center in Xian, capital city of Shaanxi province.** The company, one of the biggest in the world, disclosed that total investment for the project amounts to US\$255 million. Upon completion of the center, Xian will become Applied Material's other global technical center besides its American headquarters and will be

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



Week of 9 April - 15 April, 2006

China's fourth-largest semiconductor production site, following the Yangtze River Delta, Pearl River Delta and Bohai Bay locations.

Information Technology

- **China's IT outsourcing services market size increased by 16 percent to 3.1 billion yuan (US\$386.6 million) in 2005, a 16-percent increase over the previous year, according to Analysys International.** The report said the total IT outsourcing services market will reach 7.4 billion yuan (US\$922.8 million) by 2009. In China's IT outsourcing market, the IT operations and maintenance market contributed 84 percent of the total market, with 2.6 billion yuan (US\$324.2 million); the IT application and management market size giving 12 percent, with 380 million yuan (US\$47.3 million); and the Help Desk market size giving 4 percent, with 120 million yuan (US\$15 million). Analysys International says IT operations and maintenance will develop slower than the entire market growth, with CAGR (Compound Annual Growth Rate) of 19 percent, with the market share diminishing from 84 percent in 2005 to 81 percent in 2009. The research firm said Help Desk will grow at a rapid growth rate of 26 percent CAGR, with the market share remaining at about 4 percent. The report said IBM, HP and Siemens hold the top three positions in China's IT outsourcing market, with market shares of 9.3 percent, 8.4 percent and 7.2 percent, respectively.
- **China Expert Technology Inc. announced the signing of two new contracts worth respectively US\$10 million and US\$12 million to construct the third and fourth phase e-government system for Dehua City, Fujian Province.** The company provides large-scale network infrastructure construction mainly for e-government projects for communities and municipal governments in China. The e-government project is aimed at establishing a national electronic government system, a project that will fuse the existing government networks and applied systems into a united technology standard and regulation. The project looks to setting up a united national government service platform.
- **iGate Global Solutions, an integrated technology and operations firm, announced the relocation of its operations in China from Wuxi to Dalian.** The company explained the move as one way of engaging the human resource adept in the technology in Dalian. The company also disclosed its merger with its wholly owned subsidiary, iGate Technology Services Pte. Ltd. Dalian is a base for several IT companies with ties to the Japanese market.

Taiwan

Hardware

- **ASUSTeK Computer Inc., a Taiwan-based laptop maker, reported a 42.3 percent increase in its 2005 sales revenue to NT\$355.8 billion (US\$11 billion) from a year ago.** The company said its net income posted a 14.4-percent increase to NT\$17.2 billion (US\$529.6 million) over the previous year. In 2005, ASUSTek said it sold 52 million motherboards, which represents a 22-percent increase from NT\$42.6 million (US\$1.3 million) the previous year. The company predicts a sale of 60 million motherboards valued at some NT\$500 million (US\$15.3 million) in 2006. In another development, ASUSTek indicated its plans to transfer most of its laptop production capacity from Taiwan to Shanghai, stating that it will invest US\$50 million in a factory in Shanghai by the end of this year.

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



Week of 9 April - 15 April, 2006

Telecommunications

- **Chunghwa Telecom**, Taiwan's leading telecom operator, reported a 14-percent year-on-year decline in its net profit in the first quarter March to NT\$10 billion (US\$308 million), compared with NT\$11.6 billion (US\$357.1 million) a year earlier. The operator attributed this drop to pension payments it made for early retirement and compensation for layoffs. Chunghwa Telecom said its sales in the first three months went up to NT\$44.6 billion (US\$1.3 billion). The company said its sales for March registered a rise of 2.7 percent to NT\$14.2 billion (US\$ from a year earlier).

Hong Kong

Mobile/Wireless

- **PCCW announced that its mainland broadband television joint venture is discussing with local cable network operators about exporting its Hangzhou "dual-mode" operating model.** The model is seen as eliminating the conflict of interests between cable and telecommunications operators. It is also seen as a standard the Chinese telecommunications regulator intends to propose for broadband television nationally. A top official said Huashu Media, the Hangzhou operating arm of PCCW's 50-percent owned China Netcom Broadband Corp (CNBC) is talking with operators from more than 10 cities for a possible alliance that will allow them to replicate its successful business model. Industry sources said PCCW is set to complete within April its deal to buy into CNBC from its parent China Netcom Group. CNBC operates broadband services in two Zhejiang cities of Hangzhou and Ningbo. A restructuring of CNBC has given the other 50 percent of the joint venture largely to Hangzhou Cultural Broadcasting and Television Group, the city's cable operator.

Singapore/Malaysia/Philippines/Indonesia

Mobile/Wireless

- **Nextnation Communication Berhad (Nextnation) announced it is entering into a Heads of Agreement with Beijing Himo Tech Co., Ltd, and Jumpstart Investments Limited for the acquisition of Often Reach Investments Limited.** The agreement covers the company's investment in relation to the research, development and the provision of mobile communication, wireless technologies, wireless value added services, Internet and related software and related businesses in China. Under the deal, Often Reach will establish a wholly-owned foreign entity (WOFE) in China. As of April 2006, Nextnation messaging platform covers 30 mobile operators worldwide across Asia, Europe and North American. Its Southeast Asian operators includes Singtel, MobileOne and StarHub in Singapore; Maxis, Celcom and DiGi in Malaysia; Telkomsel, IM3, Satelindo and Excelcom in Indonesia and AIS, DTAC in Thailand. The acquisition is seen as enabling Nextnation to penetrate the fast-growing wireless value-added services market and the related industry in China. Nextnation is a mobile application service provider that enables businesses and individuals to access, connect, and transact across today's complex global mobile networks. Beijing Himo is involved in the provision of telecommunication and wireless value added services in China and provides its services via telecommunication companies such as China Mobile Communication Corporation, China Unicom Ltd, China Telecom Corporation Limited and China Netcom Communication Group Corporation. Nextnation is based in Malaysia

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



Week of 9 April - 15 April, 2006

United States/Canada

Internet

- **Google announced that it is introducing a calendar service that will enable users to store appointments online, receive reminders about the appointments and even share those events with others.** The offering is the latest from the company that, observers note is slowly moving from a search-only business model to that of an all-purpose web site. The new service enables Google to strongly compete against Yahoo, which has offered a calendar service since 1998 and in October acquired Upcoming.org, an event planning site. A feature that allows users of Google Calendar to send invitations and manage guest lists also helps the company take on Evite.com, the online invitation service owned by IAC/InterActiveCorp. Google is seen as profiting from the new offering as it helps retain users, a situation good for serving ads. Ads have been the major source of profit for Google.
- **Yahoo announced the launching of a travel service, an offering that the company said will provide the best deals on airfare and hotels.** The company said its Yahoo Farechase is distinguished from a travel service because it searches web sites to in order to be able to compare online prices for flights or lodging. The move is seen as marking the first time that a search engine for travel pricing and a search engine for travel experiences are blended in one service. Users of the web site will be allowed to draft itineraries, map routes and even share their experiences and ideas gleaned from their travels.

Mobile/Wireless

- **With the growth of mobile commerce, some companies are looking at directly selling to consumers such offerings as ring tones, games and other entertainment on the move.** U.S.-based PlayPhone sells prepaid cards worth US\$5-US\$20 for buying ring tones, games, wallpaper and music videos at outlets like Sears Holdings' Kmart, GameStop's EB Games, Rite Aid drug stores and Musicland Holding's Sam Goody. These off-portal activities can spell lost income for major carriers. Qpass, a firm that provides billing services for mobile commerce, said that about one-third of all digital content sales went outside the portal last year, with these activities still growing. Most of these off-portal activities are done through so-called Short Message System aggregators, companies that pool content and deliver it in response to text messages sent from phones to five-digit numbers.

Media, Entertainment and Gaming

- **Walt Disney Co. announced its plans to make much of its newest and most popular programming on ABC and other channels available free anytime on the web, in a move that could speed the transformation of television viewing habits and help revive the struggling TV advertising business.** The initiative, announced by the Disney-ABC Television Group is seen as a watershed: the first time a TV company is offering major prime-time shows free online without restriction. Until now, networks have brokered limited piecemeal deals in a bid to keep business partners happy and their traditional business models intact. Online streaming -- the technology of broadcasting video programming over the Web -- has been an area of greatly untapped potential for the TV industry.
- **TiVo announced the extension of its partnership with DirecTV Group, a satellite TV provider, for another three years.** The deal sees DirecTV continuing to provide TiVo service to its existing subscribers, an agreement that has the two companies giving extending also advertising relationship. Observers noted that the extension is good new for TiVo as nearly two-thirds of its subscribers, or 2.8 million of the 4.4 million, as of January were DirecTV subscribers who bought the satellite company's

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



Week of 9 April - 15 April, 2006

TiVo-based receivers. DirecTV said the extension of the agreement would not stop its plans to continue using NDS' DVR technology for its receivers. No details about the financial terms of the deal were disclosed.

- **Omnicom Group Inc., a holding company comprising advertising, media and communications agencies, announced the opening of an office in Shanghai.** The company has served as an avenue for leading agencies to establish networks in China. These agencies include global advertising brands like BBDO; specialist media-buying company OMD; public relations brands like Bentley Communications; and brand consultancy firm Interbrand. In March, the Omnicom Group acquired a majority ownership interest in Unisano Fieldmarketing International Ltd., a leading field marketing company based in Shanghai, China. Covering over 25 cities, the firm provides channel solutions to consumer, pharmaceutical and other service industries based on a powerful Point of Purchase satellite mapping and field force management and reporting system. Omnicom Group is a U.S.-based strategic holding company that manages a portfolio of global market leaders.
- **Sirius Satellite Radio Inc. announced that it has reached a deal with EMI Music North America, a move that is seen as settling a dispute over a portable-music player sold by the satellite broadcaster that enables users to store digital copies of music.** Sirius and EMI, a unit of Britain's EMI Group Plc, said they are open to discussing future products released by the broadcaster. In March, Sirius also signed similar deals with Universal Music Group, Warner Music Group and Sony BMG Music Entertainment. Details about the agreement were not disclosed.

Hardware

- **Lenovo and Best Buy announced a partnership that would allow the computer maker to sell its notebook and desktop computers at Best Buy's business-oriented stores, a move aimed at getting a larger share of the small- to- medium-sized (SME) business market.** Lenovo specifically said it will market its ThinkPad notebooks, ThinkCentre desktops and new line of Lenovo brand 3000 PCs as well as other Lenovo products at 135 Best Buy for Business stores and through Best Buy's Internet and telephone order services. The decision is also seen as the return of Lenovo to retail sales in the U.S. Both the companies took note of what IDC projection in a rise in sales to U.S. companies with fewer than 100 employees. Currently, Lenovo is No. 3 in its share of the market; Dell and Hewlett-Packard are No. 1 and 2, respectively. Observers said that the partnership between the two companies could also help Lenovo develop its identity with private consumers. The Best Buy For Business locations are specialized departments within some of the chain's nearly 750 stores in the United States.

Semiconductors

- **Advanced Micro Devices announced a recovery as it reported a net income US\$185 million for the quarter to March 26, compared with a net loss of US\$17.4 million in the same period last year, a result that went beyond the analysts' forecast.** AMD said its sales for the first quarter went up by 8.6 percent to US\$1.3 billion from US\$1.2 billion. These results mark the first time that the company did not consider sales of memory products, as they have now become part of another business called Spansion. Industry observers say that AMD has been grabbing the market share of Intel. AMD disclosed that it has started shipment of microprocessors from its new factory located in Germany, with the company taking note of increased productivity.

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



Week of 9 April - 15 April, 2006

Europe

Hardware

- **Siemens AG, a major German electronics company, announced its signing a contract that would finalize its sell-off of Austria's VA Tech Hydro to Andritz AG, a leading Austrian industrial company.** The decision was made after European Union antitrust regulators had ordered Siemens to sell VA Tech's hydropower business to ensure Siemens did not dominate the European market for hydropower plant equipment. Siemens is the electronics giant behind industrial goods such as power generators and streetcars as well as lighting, medical equipment, phone network systems and mobile phones. Terms of the sale were not disclosed.

Mobile/Wireless

- **Montermob, a British mobile phone games and ring tones company, announced the acquisition of w-Infinity, a Chinese mobile content group by agreeing to buy W-Infinity in a deal worth about US\$81.5 million.** Montermob, in its third purchase of a Chinese mobile content company, indicated that it will fund the acquisition, by offering new Montermob shares and loan notes to W-Infinity, with the company making the payment in three phases. Beijing-based W-Infinity sells mobile phone content products such as ring tones and wallpapers. In 2005, it posted revenues of US\$12.4 million, while its earnings before interest, tax and depreciation came to US\$6.5 million. Before this acquisition, Montermob already owned two Chinese mobile content companies – Atop Century, which also sells ring tones and mobile content, and M Dream, which makes mobile phone games.
- **Sony Ericsson disclosed a surge in its first-quarter net profit, a performance it attributed to demand for its popular Walkman, with its earnings climbing to 109 million euros (\$132 million) in the three months ending March 31, up from 32 million euros (US\$38.7 million) in the same period in 2005.** The company said its quarterly sales grew 55 percent to 1.9 billion euros (US\$2.2 billion) from 1.2 billion euros (US\$1.4 billion) a year earlier. Sony Ericsson reported a 41-percent rise in the shipment to 13.3 million in the first quarter, compared with 9.4 million in the same period last year. It forecast a rise in global mobile-phone sales to 900 million units this year, up from a previous forecast of 860 million units. The company saw continued strong sales of its Walkman-branded phones, with 2.5 million units shipped in the first quarter. The launching of this brand in 2005 helped Sony Ericsson to tap in the demand for music-enabled devices.

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