



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

Week of 16 April - 22 April, 2006

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Weekly Highlights

International

Information Technology

- **Observers say the growth and implementation of RFID technology into global supply chain management system can be ascribed to firms like Wal-Mart and Boeing.** Wal-Mart issued an instruction in 2003 to its top 100 suppliers to become RFID-enabled by last 2005. Boeing recently announced that 300 suppliers in its next-generation Dreamliner program would apply 64-kilobyte tags to all parts with the aim of boosting maintenance efficiency. These tags would cover serial number, manufacturer, country of origin and repair history. France-based Airbus said it is following this approach. Experts predict that other industries with distributed manufacturing, such as the automotive industry, will be next to follow. Even the management of Alton Towers, a British theme park, disclosed that it has plans of tagging and tracking visitors. The wide application of RFID technology in the consumer space is regarded as an even bigger opportunity for the industry, which is expected to grow from US\$1.4 billion in 2003 to US\$10.9 billion by 2009.

Mobile/Wireless

- **Bridge Mobile Alliance, a group of Asian mobile operators, said that Siemens AG has joined the group as an associate member.** This development brings to ten the number of telecommunication equipment makers and other vendors that belong to the partnership. The Bridge Mobile Alliance was formed to improve service quality for mobile subscribers when they roam throughout Asia. Siemens' participation in the group will help member operators develop new services aimed at corporate users. Currently, The Bridge Mobile Alliance has eight operators among its members: Taiwan Mobile Co. Ltd., India's Bharti Tele-Ventures Ltd., Globe Telecom Inc. of the Philippines, Maxis Telecommunications Bhd. of Malaysia, Australia's SingTel Optus Pty. Ltd., Singapore Telecommunications Ltd. (SingTel), PT Telkomsel of Indonesia, and Hong Kong CSL Ltd. These eight operators serve a combined 78 million subscribers distributed across Asia. The nine other vendors that belong to the alliance are Qualcomm Inc., Nokia Corp., Hewlett-Packard Co., Gemplus SA, Axalto NV, Motorola Inc., Telefonaktiebolaget LM Ericsson, LogicaCMG Plc, and China's ZTE Corp.

Japan

Internet

- **Softbank Corp. announced that it will invest 250 billion yen (US\$2.1 billion) this fiscal year with the aim of increasing the number of base stations for its 3G services from 20,000 to 30,000.** Softbank, which is expected to complete the acquisition of Vodafone KK by the end of this month, also plans to introduce handsets designed for Internet use this year. Reports show that the Japanese unit of Vodafone Group Plc has fallen behind rivals NTT DoCoMo Inc. and KDDI Corp. in 3G services and development of competitive cell-phone models. Vodafone KK's capital spending amounted to 215 billion yen (US\$1.8 billion) in fiscal 2005, which means that Softbank's outlays for the cell phone business for fiscal 2006 will exceed this by nearly 20 percent. It expects to generate sufficient cash flows from the mobile phone operations to make debt repayments. In a related development, Softbank revealed its partnership with Yahoo Japan Corp. to offer distinctive Internet services for

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mobile phone users. The company sees this shift to 3G technology as a means to enable the company to distribute more video content online.

- **Yahoo Japan Corp. announced that its group net profit posted a 29-percent growth to a record 47 billion yen (US\$403 million) for the year ended March 31.** The portal operator said its sales went up by 47 percent to 173.6 billion yen (US\$1.4 billion), while its operating profit registered a 36-percent climb to 82.1 billion yen (US\$704 million). Yahoo Japan said its online advertising division registered a surge of 76 percent to 68.4 billion yen (US\$586.5 million). It revealed that demand for search-linked ads also posted a growth. They also reported growth at its Internet employment agency and initiated a partnership with Recruit Co., a job information magazine publisher.
- **Usen Corp. announced that it is looking to reporting an interim group operating profit of 415 million yen (US\$3.5 million) in the period through February, representing a 91-percent decline on the year.** The figure is also way below the previous forecast of 3.5 billion yen (US\$30 million), a result the company ascribed to slow growth in its advertising revenue and high programming costs. Usen said sales in the first half posted a 15-percent rise to 81.5 billion yen (US\$699 million), that covered the results of film distributor Gaga Communications Inc., which it acquired last fiscal year. The company also announced that the number of users at its GyaO free online video streaming service reached some 7.5 million at the end of February. According to the company, revenue in this segment was only about 1 billion yen (US\$8.5 million) because of the low advertising orders, the main revenue source. As a result, the segment's operating loss hit 4 billion yen (US\$34.3 million). Its high-speed fiber-optic telecommunications business saw a 40-percent climb in sales to almost 15 billion yen (US\$128.6 million). Usen noted that the number of new subscribers to its broadband Internet service registered a 73-percent climb to some 457,000 after it lowered prices and began marketing to condominium residents. Cable broadcasting sales totaled 31 billion yen (US\$265.8 million), with operating profit largely unchanged at about 6.5 billion yen (US\$55.7 million). It disclosed a net profit of 387 million yen (US\$3.3 million), a 16.4 billion yen (US\$140.6 million) net loss in the same period last year. In another development, Usen Corp. said it plans to acquire a 67.4-percent stake in Almex Inc., a Tokyo-based firm that offers computer programming services, in a deal valued at 19.3 billion yen (US\$165.5 million).

Mobile/Wireless

- **NTT DoCoMo Inc. and JCB Co. announced their agreement to jointly develop a reader terminal that supports both companies' cellular-phone-based non-contact credit card services.** At present there are three incompatible cell-phone-based non-contact credit card services currently offered in Japan: DoCoMo, Sumitomo Mitsui Card Co. The others are iD, JCB, Toyota Finance Corp. and their partners support QUICPay; and, UFJ Nicos Co. with the rest supporting a rival service called Smartplus. Under the alliance, DoCoMo and JCB will co-develop a device that is compatible with both DoCoMo's iD and JCB's QUICPay standards. JCB is tasked with the installation of the device at stores. JCB also is expected to devise a common terminal with UFJ Nicos. The timetables and other details, however, of these endeavors have yet to be finalized. No plan exists for developing a reader device that can handle all three standards. Cell-phone-based non-contact credit card services are made possible by installing special software in DoCoMo's Osaifu-Keitai handsets, which incorporate smart-card technology. The three cell-phone-based non-contact credit card services, as of March 31, had a total of roughly 80,000 users. The combined user base of iD and QUICPay total to 60,000 people as of March 31.
- **KDDI Corp. announced that it will start the distribution of music to subscribers' personal computers, a move that makes it the first mobile phone service provider to do so.** Under the

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offering, members of the new service will be able to not only download songs to their PCs but also forward them to their cellular phones to listen to and use as ring tones. About 20,000 titles will be available initially, priced at around 300 yen (US\$2.5) apiece. The firm already has a similar service for wireless phones.

- **Faith Inc. and Taito Corp. announced their entering into an agreement for the establishment of a joint venture that aims to distribute via wholesale music content developed for cellular phones.** The company to be formed will have a capitalization of 80 million yen (US\$686,000), of which 60 percent will be contributed by Faith and the remainder by Taito and its parent Square Enix Co. Faith is a popular device used to distribute cell phone ringer melodies, while Taito markets such melodies as well as karaoke sing-along services. The venture is seen as selling songs to content distributors after being licensed to do so by the record companies and others who hold the rights to them. It will also process the music so it can easily be distributed to cell phone users.
- **Teaming up with 17 providers of cell phone content, Oricon Inc. announced that it will soon launch a free portal site that will enable visitors to find where they can go to download their favorite ring-tone melodies and other songs onto their mobile handsets.** To do this, the company said it will work jointly with 17 providers of cell phone content. Under the partnership, Oricon said it will be paid a commission on each purchase and membership registration made via the site. It is targeting broker sales of 2 million songs a month after six months.

Media, Entertainment and Gaming

- **Square Enix, which is No. 2 to Nintendo as Japan's largest game publisher, reported that it cut its annual profit forecasts because of intense market competition.** Square Enix is also the video game developer behind the Final Fantasy hit series. The company said it forecast a 10-billion yen (US\$85.7 million) net profit for the year to March this year, well below its earlier estimate of 17.5 billion yen (US\$150 million). It also cut its operating profit estimate to 15 billion yen (US\$128.6 million) from 29 billion yen (US\$248.7 million), and its revenue forecast to 125 billion yen (US\$1 billion) from 136 billion yen (US\$1.1 billion). Square Enix also revealed a decision to look into releasing more light online game titles rather than continuing to develop complex role-playing games. Since the introduction of the first edition in 1987, Square Enix has sold more than 65 million copies of the Final Fantasy series worldwide, which has become hugely popular to game players for the high quality of its images that the air of mystery found in its narrative.
- **Sega Toys Co. announced that it will enter into an alliance with a number of other firms for the development of a game and a related animated cartoon.** With this offering, Sega said it is targeting a market of about 40 countries by fiscal 2009. Under the tie-up, Sega said it will work with anime producers TMS Entertainment Ltd. and Japan Vistec Inc., Canadian toymaker Spin Master Ltd., and Canadian cable television and radio broadcaster Corus Entertainment Inc. With Spin Master, Sega Toys will develop a combat game using ball-shaped characters and cards. The cartoon is based on this game and will be created by a production team that includes three other firms.

Software

- **NTT Comware Corp. announced the development of a software that checks computers for the presence of Winny file-sharing software, which has been known to transmit viruses.** The new software regularly checks PCs connected to in-house networks for the presence of Winny without affecting computer operations. The company said the program will be offered as a supplement to the company's Adminity computer management software from late April. The software allows normal operations to continue during the check even if the CPU has relatively little processing capacity, which

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is often the case among older computers. Upon detection of Winny, the software automatically sends users an e-mail warning and at the same time notifies the system manager.

- **SystemD Inc. (3804), a software developer, announced its plans to go public on the Osaka Securities Exchange's Hercules market.** The Kyoto-based company develops business application software for sale to universities and other educational institutions that typically enroll more than 500 students. SystemD disclosed that it derives about 60 percent of its total sales from application software that helps schools handle their accounting work as well as manage classes and student performance. The company said the software costs only about 300 million yen (US\$2.5 million), considerably less than the 2 billion yen (US\$17.1 million) that universities spend to design their own software, according to the firm. SystemD said that it plans to use the proceeds from the IPO to promote development of application software for Chinese-noodle restaurants and other chain store operators that handle fewer items than convenience stores. Cosmo Securities Co. is the lead manager of the offering.

Hardware

- **Hitachi Ltd. disclosed its plans to strengthen its U.S. server business and work jointly in sales with a local consulting subsidiary to take advantage of the high demand for high-performance models.** The company said it is aiming for annual sales of more than 5 billion yen (US\$42.8 million) in three years, primarily for powerful servers used in main corporate computer systems. It revealed its aim to boost the number of its salespeople at Hitachi America from 15 to about 30 and set up a sales office in New York, the location of financial institutions that Hitachi is targeting. Hitachi said it will enhance its linkages with Hitachi Consulting Corp. by engaging local consultants in promoting server sales. Hitachi shipped approximately 28,000 servers domestically in 2005 to merit a 5-percent market share, according to Gartner Japan Ltd. even as it continued to confront strong price competition from low-cost foreign suppliers.
- **Hirakawa Hewtech Corp. a midsize manufacturer of electric wire and broadcast equipment announced its plans to go public on the second section of the Tokyo Stock Exchange.** The firm generates earnings from the production of electric wire, its original product; it tries to develop a broad range of promising equipment from optical communications gear to electronic devices. The company also makes special tubes for medical use. Hirakawa Hewtech said it plans to use the 1.3 billion yen (US\$11.1 million) in proceeds from the IPO plus another 700 million yen (US\$6 million) to retool the 15-year-old factory. The company predicts its group pretax profit to post a 10-percent increase to 1.1 billion yen (US\$9.4 million) for the year through March 2007 from estimates for the previous fiscal term on sales of 18.5 billion yen (US\$158.6 million), up 1 percent. Lead manager of the offering is Nomura Securities.

Ventures/Investments

- **Monex Beans Holdings Inc. revealed its plans to lead-manage unlisted Chinese companies' debuts in Japan, a project that will be led by the company's new division, China Capital Markets Desk.** The division will initially focus on finding candidates from the Chinese firms in which one of Monex Bean group's investment trusts holds shares. In addition to lead-managing stock listings, the division will be charged with finding Japanese business partners for the Chinese firms. Monex Beans indicated that no unlisted Chinese company has ever gone public on a Japanese stock exchange. In a separate report, the Tokyo Stock Exchange has reportedly been encouraging unlisted Chinese companies to be publicly listed in Japan.

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Korea

Internet

- **The whole market of online job placement portals will top 60 billion won (US\$63.4 million) this year due to its fast growth.** JobKorea reported that the sale of its first quarter increased by 85.3 percent to 5.8 billion won (US\$6.1 million), while Incruit posted a 104-percent increase from the same period last year to 4.6 billion won (US\$4.8 million) in sales in the first quarter according to Rankey, a firm that does surveys on Internet sites. Market share in the first quarter, JobKorea accounted for 33.3 percent, Carrier and Incruit 19.8 percent and 15.7 percent, respectively.
- **Industry experts said that the country's two leading Internet service providers, KT and Hanaro Telecom, are now facing negative growth.** Analysts are also warning that without new service plans or business strategies, they may be facing an even worse scenario. While the number of subscribers increased, sales continued dropping. KT has maintained some 50 percent share of the market, while other firms demonstrated its aim to gain on the large rival, fueling competition for price-cutting and promotions. KT saw sales in the broadband Internet area peak in the second quarter of this year, and posted minus growth for the last three quarters since then. In the third quarter of last year, KT posted a loss of 12 billion won (US\$12.6 million) versus a net increase of 80,000 subscribers, which is a significant drop from the second quarter. In the following fourth quarter and the first quarter of this year, it saw both the number of subscribers and sales fall. Hanaro Telecom, which expanded the customer base by some 800,000 after a merger with Thrunet early this year, is also facing weak sales. The company posted a loss in the second quarter of last year despite a growing number of subscribers. It posted a slight increase in sales in the following quarter versus a drop in the customer base. Hanaro is expected to maintain sales growth in the first quarter of this year on the merger with Thrunet and modest spending on marketing. Powercomm, which launched broadband Internet service in September last year, is expected to increase the number of subscribers to 450,000 in the first quarter of this year.
- **South Korea's antitrust regulator said yesterday that it issued a corrective order requiring Microsoft Corp.'s local unit to clearly inform its customers that some of its Internet contents require payments.** Between August and December last year, Microsoft Korea provided photographs of a Korean actress through an Internet site. But the company failed to inform users that the service required a subscription fee. The Fair Trade Commission said that although Microsoft complied with the regulator's previous order to add an explanation of the charges, it was confined to a single line at the end of the service menu, causing confusion and unwanted subscriptions among customers.
- **A survey of 8 listed firms and 2 non-listed firms in the Internet media and game service area conducted by the Electronics Times found that the top 10 firms' cash reserve stood at 1.1 trillion won (US\$1.1 billion) in March this year.** These firms are NCsoft, NHN, Webzen, Neowiz, CJ Internet, Daum Communication, Empas, Nexon, KTH and Yahoo! Korea, the last two being unlisted. The top five firms – NHN, NCsoft, Webzen, Daum Communication, and Yahoo! Korea – have more than 100 billion won (US\$105.6 million) in cash each. Industry analysts describe these ten firms as driven by financial power, pushing them to seek new growth engines in both domestic and international market. The firms are reportedly using two approaches in their growth: either through mergers and acquisitions or through an expansion into overseas markets which include North America, Europe and its neighbors China, and Japan.

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- **China said it has initiated the publication of government tenders on dgMarket.com, an independent web site that collects government procurement information from 150 countries.** The web site has been described as a multilingual online service that enables business users to search US\$500-billion worth of government tender opportunities each year. The tenders selected for publishing will be open for international bidding and are generally valued at about US\$50,000 or higher.

Mobile/Wireless

- **KTF Co. disclosed that it will invest around 780 billion won (US\$824.4 million) to build an upgraded wireless communications network across the nation.** The investment is higher than KTF's earlier plan to spend over 500 billion won (US\$528.6 million) on building such networks in 45 cities by the end of June this year. The move is aimed at seeking to accelerate its transition from 2G- to 3G-telephony in the local market dominated by SK Telecom Co. As of the end of February, KTF held 32.2 percent of the local mobile service market, making it the second-largest company among three mobile carriers. SK Telecom has 50.8 percent, while data showed the smallest LG Telecom Ltd. has 17.1 percent of total subscribers. In a bid to keep a step ahead in the emerging 3G markets and avoid competition in already-saturated sectors of the market, KTF has been pursuing the promising W-CDMA market. In the 2G markets, SK Telecom is using a frequency band, which experts say is more effective for providing communications services than that used by the other market players KTF and LG Telecom.
- **Mobile phone users in South Korea will be able to replace their handsets with new ones based on W-CDMA technology without giving up their phone numbers, according to the country's Ministry of Information.** Under the so-called number portability system, mobile phone users will be able to retain their phone numbers even if they change their handsets into W-CDMA phones. The ministry said the regulatory change will be enforced soon but did not disclose any more details.
- **Nextreaming, a Korean provider of embedded multimedia solutions for mobile phones, disclosed that it has reported Qualcomm to the Korea Fair Trade Commission (KFTC).** The company also said it will help KFTC in its current investigation against the US wireless company. In its complaint, Nextreaming alleges that Qualcomm has abused its position of monopoly, which led to Nextreaming facing setbacks. According to Nextreaming, Qualcomm has been packaging its QTV codec with other applications. The company claims that this practice inhibits customers' selection and abuses Qualcomm's market leadership. The Qualcomm QTV application competes directly with several of Nextreaming's mobile multimedia products. Nextreaming claims that it is losing business due to Qualcomm's QTV bundling. Last fall, a number of its competitors filed a complaint against Qualcomm to the European Commission, saying that Qualcomm had abused its monopoly position in the CDMA market. Qualcomm owns many of the necessary patents for CDMA technology, with its competitors saying that Qualcomm's license fees were overpriced. Qualcomm has not been investigated or charged by the European Commission.

Media, Entertainment and Gaming

- **Blizzard Entertainment, a leading game developer, announced that it cut the monthly fee by 20 percent for its flagship online game "World of Warcraft," a move that is expected to touch off a new round of price-cutting campaigns by South Korean players.** Blizzard, which remains third in the country's online multi-user network game rankings, announced it will charge 19,800 won (US\$20) for a 30-day package, down from 24,750 won (US\$26). The game giant's move is interpreted as a signal that the country's online gaming industry will see major developers switch to the pricing policy favoring less than 20,000 won (US\$21) per month. But the price-cutting pressure is forecast to undercut smaller,

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cash-strapped game developers. CJ Internet, a KOSDAQ-listed game distributor, cut the online subscription rate for "The Age of Great Navigation" from 24,200 won (US\$25) to 19,800 won (US\$20). YNK Korea's "Rohan" is also available at 19,800 won per month (US\$20). NCsoft, whose market capitalization is 1.4 trillion won (US\$1.4 billion), also set the monthly subscription rate at 9,900 won (US\$10), a lower-than-expected fee for a large-scale online game title. Nexon, a major game developer and publisher, does not charge a fee for most of its games. It offers its online game "Mabinogi" at 18,000 won (US\$19) per month, but users are allowed to play the game for up to two hours per day free-of-charge.

- **Hanbitsoft's new multi-player online role playing game "Granado Espada (GE)" is already enjoying phenomenal popularity in Japan, with more than 100,000 members within seven hours after the launch of open service, according to Hanbit Ubiquitous Entertainment, the local subsidiary of the game firm.** Observers note that even before the open service, game players already flocked into the site during promotional events. With the largest online game site in Japan introducing the "GE Game Inside" community. It's the first time that a game user site has built a community dedicated to a single game since "Final Fantasy 11."

Telecommunications

- **SK Telecom, the nation's biggest mobile operator, announced the launching of a pilot service of WiBro, a South Korean variant of mobile WiMAX next month, with the commercial service to follow soon.** SKT said that the main service area will be Seoul even as it plans to set up 10 hot zones around colleges and subway stations by the end of this year and broaden the service area to 84 cities across the country by 2009.
- **Hanaro Telecom, the nation's second-largest broadband provider, announced the setting up of a Convergence Headquarters in a bid to strengthen its convergence service including TV portal.** The Convergence Headquarters would identify and foster a new growth engine in the rapidly changing market where wired and wireless communication and broadcasting are being integrated and make full preparation for commercial TV portal service scheduled to launch in July. In a separate development, Hanaro Telecom announced the appointment of Mark Pitchford as the head of Marketing unit. Pitchford served as VP at Pacific Bell, SBC Communications and Qwest senior vice president of consumer marketing.

Semiconductors

- **Samsung Electronics revealed the development of 2GB MMCMicro. Its said to possess the world's largest capacity as a memory card for mobile handsets with 4 NAND flashes of 4Gb.** MMCMicro is a micro memory card for the next generation mobile handsets at a quarter of the standard MMC, the size of a fingernail. The product is able to store 1000 pictures, six movies of high quality, and 500 songs for MP3. Its particular feature is diverse vital functions for mobile devices like high-speed data transmission, which is 3 times faster than same-sized memory cards, and uses a sixth of the energy and dual voltage consumption. Samsung Electronics, producing a variety of MMCMicros from 32MB to 512MB, is to start mass-production of 1GB and 2GB memory cards having developed in early this year.

Information Technology

- **The world's first next-generation communication-broadcasting convergence service test bed adopting Wi-Bro and terrestrial DMB will be built in Jeju-do, according to the Jeju government and KT.** The local government and the country's largest telecom carrier announced their plan to build

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a high-tech IT city with ubiquitous service capabilities in the island by the end of this year, combining Wi-Bro features to the existing next-generation mobile research testbed the Jeju government opened in January this year.

China

Internet

- **Skype, the online telecoms service, has defended its mainland partner's censorship of text messages in China, saying the company was obeying local laws.** The eBay-owned company admitted its joint-venture partner on the mainland, Tom.com, had edited messages containing words considered politically sensitive by the Chinese government. Skype is the latest tech company to come under scrutiny over censorship at its Chinese operations. Search engines Google and Yahoo, and software giant Microsoft, have all faced criticism for editing content on their Chinese services and products to suit Beijing's strict censorship rules. Further, Yahoo's web portal has faced international condemnation for providing information to authorities that led to the jailing of two online dissident writers.
- **CDC Corp., the software and technology services company formerly known as China.com, reported a 24-percent growth in its revenues from CDC software and a 27-percent increase in online game users compared to the same period the previous year.** During the first quarter, China.com's online game, Yulgang, went beyond 330,000 peak concurrent users, a 27-percent growth from the previous quarter. Average concurrent users per day totaled 182,000 and registered users totaled 22 million. Average virtual merchandise sold per day amounted to 82,000 units. China.com also increased its shareholding in 17 games to 100 percent in a bid to boost the growth of its online gaming business.
- **eLong, Inc. , a leading online travel service provider in China, reported sales revenue of US\$26.3 million, representing a 57-percent increase over the previous year.** The company ascribes this growth to an increase in revenue from hotel commissions and air ticketing. The company said its revenue from hotel commissions for fiscal 2005 totaled US\$18.8 million, a rise of 40 percent from fiscal 2004 while revenue from air ticketing reached US\$2.9 million, an increase of 136 percent. Despite this, eLong still posted a net loss of US\$7.7 million for 2005, compared to a net loss of US\$2.2 million in 2004.
- **China launched its first copyright music web site, called Aigomusic.com.** The site allows users to download and also receive music via other mobile platforms such as mobile phones and PDAs. The Internet company is reputedly the only one in China granted the rights to sell music online by virtue of the agreements it signed with Sony BMG, EMI, Universal Music, and Warner Music. Other than music, Aigomusic also has copyright to Music Videos (MVs), which are also available for download.
- **UTStarcom Inc. announced its signing of a deal with China Netcom, which will allow the Chinese firm to use its Internet protocol television technology in Harbin in northeast China.** UTStarcom did not disclose the amount paid by China Netcom but it disclosed that the deal could be the largest deal ever inked yet in China. UTStarcom's technology lets network operators like China Netcom sell and deliver television over Internet Protocol networks.

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Mobile/Wireless

- **Nokia announced further expansion of its Chengdu R&D Center with the aim of boosting its R&D operations in China.** Under the expansion, the Chengdu R&D Center is expected to work on the development of systems such as carrier grade platform middleware, WAP gateways for mobile browsing, intelligent packet core subsystems and increasing multimedia applications. Nokia said it aims to develop Nokia Chengdu R&D Center into one of the major R&D centers for Nokia core networks, developing products for mobile and convergence communications for the global markets.
- **A report from Analysys International indicates that there will be 78 million 3G users in China by the year 2008.** The report from the Internet-based provider of technology business information said that telecom operators are set to begin the construction of 3G networks and purchase of 3G devices as soon as 3G licenses are issued in China in the second half of this year. The report also says that some 440,000 users will be using 3G mobile devices by the end of 2006 while half of the new mobile telecom subscribers will be 3G users by 2008. Analysys International states that out of this figure, 3G subscribers will form about 13.7 percent of the total mobile telecom subscribers in China in 2008.

Media, Entertainment and Gaming

- **Shanghai Media Group (SMG) announced that AOL will begin broadcasting news programs supplied by Shanghai Media Group's broadband unit.** With AOL targeting to broadcast content to Chinese globally, the company said the shows will be broadcast on AOL's Chinese language web site and would focus on Chinese social, business, sports and entertainment topics. SMG said the programming would total more than three hours each day and would be provided in partnership with MediaZone, a worldwide provider of online television programming and a partner in China of AOL and Shanghai Media Group. The Chinese language web site of AOL was developed with ChinaPortal.com, a MediaZone division. State-owned Shanghai Media Group was formed from the merger of the city's government-run radio and television stations in 2001 and ranks as one of the country's biggest media and entertainment conglomerates. Its parent company, Shanghai Media & Entertainment Group, also owns film and theatre troupes, culture centers, and various multimedia and Internet ventures. The company has formed alliances with major international media groups such as Viacom, Vivendi Universal, and Discovery Channel. SMG Broadband, wholly owned by Shanghai Media Group, is the only company licensed in China to provide Internet Protocol Television, or IPTV, services in the mainland.
- **Cgogo Technology Co. Ltd. announced the launching of the Mobile Beijing Technology Newspaper, a mobile newspaper with its own independent domain name on a WAP network.** Cgogo and Beijing Technology Newspaper established the mobile newspaper. It is considered the first-ever mobile newspaper focusing on technology. According to the company, the Mobile Beijing Technology Newspaper is to be based on Cgogo's Mobile Search WAP site, and is expected to provide extensive coverage for domestic users. At present, the mobile newspaper is available for free to mobile subscribers.
- **Venezuela and China announced their signing of an agreement on program exchange and the mutual training of TV and radio broadcasters, with China's State Administration of Radio, Film and Television (SARFT) signing the agreement with the Ministry of Communications of Venezuela.** The agreement will allow Venezuela to broadcast two channels of Central China Television (CCTV) programs in Venezuela and have access to China Radio International's programs in a variety of languages.

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- **Shanda Interactive Entertainment Ltd. announced it's entering into a strategic partnership with China Hewlett-Packard, a subsidiary of Hewlett-Packard Co.** Under the agreement, China HP will be allowed to bundle its digital home products with EZ Pods. The two companies are exploring opportunities for promotional campaigns as well as cross marketing. EZ Pod is a proprietary product that is designed and developed by Shanda. It includes EZ Center software and a remote control that upgrade a standard PC platform to an interactive entertainment platform.
- **A study called the Survey on the Development of China Media Industry 2006 disclosed that China's media industry achieved output of 320.5 billion Yuan (US\$40 billion) in 2005, which represented a growth of 11.9 percent year-on-year.** The survey indicated that print publications accounted for 36 percent of the total output of the industry, putting it at No. 1 in all market segments of the industry. Occupying the slot from No. 2 to No. 5 in terms of output value were TV advertising, mobile short message services, revenue of advertising companies, and magazine publishing. With a sales revenue growth of over 40 percent, mobile short message climbed from No. 6 in 2005 to its current No. 3 position. The study explains the present position of newspaper publishing in No. 6 as caused by the sluggish growth in newspaper ads.

Hardware

- **The Haier Electronics Group Co. disclosed that it posted a net loss of HK\$432.9 million (US\$55.8 million) for 2005, compared to a profit of HK\$119.4 million (US\$15.3 million) in 2004.** The company disclosed that its revenue for 2005 saw a decline of HK\$4.9 billion (US\$631.8 million) from HK\$5.8 billion (US\$748 million), ascribing its performance to the intense competition in the mobile phone business. In a separate development, The National Basketball Association (NBA) announced that it has entered into a marketing alliance with Haier, in a bid to promote basketball in China. Under the agreement, the NBA will display Haier's HDTV and other products via its media platforms, including NBA TV's high-definition TV programs and retail activities featuring the NBA. In China, NBA-Haier TV advertisements will be broadcast on channels of 24 Chinese TV stations that have partnered with the NBA. The alliance will enable Haier's products to be promoted on the www.nba.com/China/ website, as well as NBA events with local basketball fans in the country.
- **Citizen Electronics Co., a maker of components and a member of the Citizen Watch Co. group, announced that it will increase its production in China of audio parts, including speakers for mobile phones.** Observers see the feasibility of this plan given the launch of a new plant in Nanjing, Jiangsu Province expected to enable Citizen Electronics to double its companywide production capacity. LED products contribute about 70 percent of the company's annual sales. By focusing on audio parts as a key operation, the firm aims to create a more secure business foundation. At present, Citizen Electronics manufactures most audio parts at its plant in Guangdong Province, reporting a monthly production capacity of 5 million units, with sales reaching around 5 billion yen (US\$42.8 million). When the new plant is in operation, monthly production capacity will be raised to 10 million units. Citizen Electronics is targeting sales for audio part in the year through March 2008 of 10 billion yen (US\$85.7 million).

Telecommunications

- **China Telecom announced a net profit of 5.9 billion Yuan (US\$735.9 million) in the three months ending last month.** With the announcement, China Telecom said it added 2.6 million fixed lines in the three months ending last month. Including its limited range wireless service based on PHS technology, China Telecom counted about 5 million added in the first quarter, with the firm's fixed-line total in the first quarter totaling 215.1 million, up from 210 million as at the end of last year. Its PHS-

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based service brought in 2.4 million users to 59.5 million. China Telecom said its operating revenue posted a 1.1 percent rise from the fourth quarter last year to 43 billion Yuan (US\$5.3 billion), a 5.9-percent rise from the 40.6 billion Yuan (US\$5 billion) a year ago. The company announced that broadband growth was strong, adding 2.1 million customers to a total 23.1 million.

- **China Mobile reported its first-quarter results, with its net profit posting a 27.6-percent climb to 14.3 billion Yuan (US\$1.7 billion) from 11.2 billion Yuan (US\$1.3 billion) a year ago.** Analysts took note of its operating revenue, which went up by 18.5 percent to 65 billion Yuan (US\$8.1 billion) even if it missed the analysts' forecast. Industry experts said the company could still sustain the huge growth of its subscription. In another development, China Mobile is reportedly offering US\$4 billion for Millicom International Cellular, a Swedish company that operates wireless phones in developing nations. If China Mobile acquires Millicom, it would give the company a presence in 16 nations in Latin America, Asia and Africa, where Millicom serves about 10 million subscribers.

Taiwan

Hardware

- **Industry observers note that the first part of what is seen as the consolidation process in Taiwan's competitive LCD industry has begun, a development that was seen earlier as mere speculation.** AU Optronics, the world's third-biggest maker of TFT liquid crystal displays, announced earlier this month its plan to acquire Quanta Display, a local rival, in a deal valued at about US\$2 billion in stock. It has been rumored that Quanta Display was in talks with Taiwan's third-biggest flat-panel supplier Chunghwa Picture Tubes. Once completed, the deal will make Quanta, with about 6 percent of AU Optronics, the second-biggest shareholder after BenQ, a holder of a 9-percent share. Most analysts stated that the agreement is expected to bring about synergies because AU Optronics and Quanta Display have little overlap among their customers. Through the merger, AU Optronics is predicted to become a supplier for flat-screen TV's, which is to be set up reportedly by Quanta and Sanyo. Despite overtaking South Korea as the world's largest manufacturer of LCD panel, Taiwan's industry has always been exposed to sudden price drops given the fragmentation of the industry. This is the scenario that observers say will be changed by the deal AU Optronics is considering. Chi Chi Mei Optoelectronics is also described now as under pressure to find a takeover target. Whether by Chi Mei or AU Optronics, two firms that are seen as targets for takeover are Hannstar Display and Chunghwa Picture Tubes.
- **Quanta Computer, the world's largest notebook manufacturer, said it had won a contract to make up to 15 million notebooks, starting at the end of the year.** The contract, however, is for laptops dubbed the US\$100 laptop. Even if the size of the order is the equivalent of almost a third of the number of laptops shipped worldwide last year, observers are noting that it may not be a cause for celebration given the low price that characterizes such products. These low-end machines are part of One Laptop Per Child (OLPC), a United States non-profit organization launched by the Media Lab at the Massachusetts Institute of Technology. The idea is to provide low-cost laptops for children and students in developing countries. The contract should give Quanta plenty of work, but whether the order will significantly boost profits is the big question. According to Nomura Securities, Quanta posted for 2005 revenue of NT\$403 billion (US\$12.4 billion) with earnings of NT\$10.9 billion (US\$337.4 million), a net profit margin of just 2.7 percent down from 3.7 percent in 2004. The small profit has been attributed to the fact that Quanta makes machines for brands like Hewlett-Packard and

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Dell, firms known for cost-cutting measures. The project will use a microprocessor from Advanced Micro Devices (AMD), rather than from Intel.

Semiconductors

- **Taiwan Semiconductor (TSMC) announced the extension of its long-term relationship with UK company ARM.** Under the agreement, ARM has agreed to develop new suite of its Advantage products, which supports TSMC's 65- and 45-nm processes. The agreement will also enable TSMC customers to have access to the ARM Advantage products on TSMC's processors through the ARM Access Library Program. An ARM official said that the arrangement will provide system-on-chip (SoC) designers with 'a seamless design-to-silicon path' using ARM intellectual property. ARM Advantage reportedly provides high-speed, low-power performance for a range of applications. The Advantage intellectual property package includes ARM's set of views and models for integration with electronic design automation (EDA) tools. TSMC said it looks to boosting its 65-nm production during 2006.

Hong Kong

Mobile/Wireless

- **Partner Communications, Hutchison Telecom's Israeli subsidiary, disclosed that it had received no notification regarding a bid from Orascom enabling it to exercise an option that would raise its stake in the Israeli mobile phone operator to more than 10 percent.** Orascom, an Egyptian mobile-telephone provider, said it has a call option to buy 3.69 percent more shares in HTIL by December this year at either HK\$11 (US\$1.4) per share or a 30-trading day average price of HTIL shares prior to the option being exercised. Assuming the option is exercised, Orascom's stake in HTIL would be increased to 23 percent, with its interest in Partner going beyond 10 percent.

Media, Entertainment and Gaming

- **TVB disclosed that it is filing a suit against the state-owned Jiangsu Telecom Company for copyright infringement for broadcasting a TV series on the Internet.** In the lawsuit, TVB alleged that Jiangsu Telecom provided the TV series "War and Beauty" to customers for profit-making purposes without permission or payment. TVB said it had made huge investment in the production and promotion of the drama. The drama had been withdrawn already from Jiangsu Telecom's web site. Jiangsu Telecom is a subdivision of China Telecom, a major provider of broadband services on the mainland, and listed in Hong Kong and New York. A spokesman for Jiangsu's legal office confirmed the lawsuit.
- **Metro Broadcast Corporation, a Hong Kong-based private radio broadcaster, said it has secured a program and marketing partnership with Shanghai Media Group (SMG).** No details of the deal with SMG were revealed even as the station's managing director revealed that the company expected the alliance to initiate by the end of the quarter. The radio station remains as one of two private broadcasters in Hong Kong and is a pioneer among local radio stations on the China market. Metro has six programs jointly hosted with Radio Guangdong, including two live daily broadcasts on the Metro Finance channel and two lifestyle programs for the Metro Showbiz channel. Metro says these live programs with Radio Guangdong have an audience of more than 35 million in the province. The radio disclosed that the jointly hosted, live-program format is one good way of gaining access to the mainland market.

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Telecommunications

- **PacificNet Inc., a value-added telecom and outsourcing services provider, announced for the fourth quarter a 106-percent increase in net income to US\$0.9 million from US\$0.4 million in the year-ago quarter.** The company said that the results include one-time charges on the NASDAQ Market Entry Fee. The company said its revenues for the quarter posted a 33-percent growth to US\$13.3 million from US\$10 million in the last-year quarter. The company said its CRM Outsourcing services generated revenues of US\$3.6 million, Value Added Services reported revenues of US\$6.5 million and Telecom Distribution Services reported revenues of US\$2.6 million. Its operating profit for the quarter went up by 58 percent to US\$1.6 million from US\$1 million in the last-year quarter, with its net profit margin posting an increase of 6.9 percent for the quarter from 4.4 percent in the prior-year quarter. The company attributed the increase in operating margin to the shift from lower-margin phone card distribution services to higher margin value-added telecom and B2C services. For the fiscal year 2005, the company reported a net income of US\$2.5 million compared to US\$0.7 million in the prior year. Revenues for the year went up by 48 percent to US\$43.9 million from US\$29.7 million in the last year. For the fiscal year 2006, the company expects net income in the range of US\$4.5-5.2 million on revenues of US\$60-70 million. PacificNet said it looks to continued revenue growth in the year through organic growth and accretive acquisitions in the Value-Added Services, Interactive Voice Response and CRM markets in China.

Singapore/Malaysia/Philippines/Indonesia

Internet

- **Mitsui & Co. revealed its plans to acquire an 11-percent stake in PT Agronet Multicitra Siberkom (Agrakom) one of Indonesia's leading Internet portal operators and cellular phone content providers.** Agrakom already delivers news to cell phones, as well as images, ringer melodies and games developed by other firms. Mitsui intends to supply Agrakom with content-delivery software. Under the acquisition plan, the Japanese company said it will make an investment of about 87 million yen (US\$746,000) in Agrakom. Mitsui forecasts the popularity of cell phones and related services to spread rapidly in Indonesia.
- **Experts from the academe, the government and the IT groups are slated to discuss the large-scale deployment of voice-over-IP (VOIP) in the Philippines.** With the aim to create greater awareness about the technology, the event will be made free to the public. A special feature of the forum is the introduction of Janus Friis, one of the co-creators of peer-to-peer VOIP application Skype to the Philippine public.

Mobile/Wireless

- **Distributor Versatile Telecoms announced its plan to target the high-end market, particularly business level executives, with a new line of personal digital assistant phones.** The company said it aims at a market composed of business level executives. The company is also setting up new service centers for its Alcatel mobile phones in time for the launch of a new batch of models in the coming weeks. Versatile Telecoms has started distributing three high-end Chinese-made Dopod PDA phone models that use the Windows Mobile operating system. As part of this plan, the company said it has entered into a partnership with wireless telecommunications carrier Globe Telecom to bundle the Dopod phones in its G-Plan Platinum postpaid services for executives. Versatile Telecoms revealed

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that they are following a different marketing approach for Dopod compared to what they had for their Alcatel mobile phone business strategy. The Alcatel phones were allotted to provincial markets since the Metro Manila sector was dominated by Nokia, Motorola and Sony Ericsson.

United States/Canada

Internet

- **Yahoo announced a 22-percent decline from its first- quarter net income of US\$204.6 million to US\$159.6 million.** Earlier, industry observers thought that losses for Yahoo might hinder its advertising growth. Yahoo said the accounting change lowered its earnings by US\$71 million in this year's first quarter against US\$6 million a year earlier. If not for the stock option expenses and other one-time gains, Yahoo said its profit for the just-ended quarter would have improved 18 percent over the same period last year. The company reported total revenue of US\$1.5 billion, representing a 34 percent rise from last year.
- **News Corp disclosed its plan to acquire a share in SimplyHired.com, an online job search engine.** In another development, venture capitalists are reportedly investing US\$25 million in college networking Web site Facebook.com in a deal that is expected to be announced soon. News Corp, a firm that owns Fox Broadcasting and 20th Century Fox, said it has shelled out US\$3.5 million for an undisclosed stake in SimplyHired, which has secured also a US\$10-million fund from Foundation Capital. Observers say the SimplyHired investment shows News Corp's continuing expansion onto the Internet. Moves that have included last year's US\$580-million acquisition in 2005 of Intermix Media's MySpace.com, currently hugely popular among young consumers and now designated as among the most heavily trafficked destinations in the Internet. Facebook also has built a huge following by providing a space for college students to share information and pictures. The company said it is getting US\$25 million from Greylock Partners as well as two earlier investors, Meritech Capital Partners and PayPal co-founder Peter Thiel.
- **With its net income climbing to US\$592.3 million from US\$369.2 million, a year ago, Google's shares were observed jumping and diminishing early anxieties that its growth may eventually come to a halt.** Google reported Revenue of US\$2.2 billion. The company said it plans to include as part of its products for sale radio advertisements through its web site later this year. The company said it continues to experiment with print advertisements. Google also disclosed that it is aiming for transparency and looking for ways to communicate with its investors.

Media, Entertainment and Gaming

- **Fox announced reaching an agreement with its affiliated TV stations to share revenues from non-traditional models like video-on-demand, the web and other ways of distributing popular Fox shows.** The statement said network-affiliated stations want a share from these new businesses as they express concerns that these new approaches could get viewers and advertising contracts from their stations. Walt Disney's, in using this approach, announced that it would offer full-length versions of "Desperate Housewives", "Lost" and two other shows free on the Internet the day after they aired. Under the service, the shows will appear online in a two-month trial and will contain interactive ads that you cannot skip through. ABC also offers shows for sale on iTunes. General Electric's NBC and CBS, which is owned by CBS Corp, revealed that they have signed deals with Comcast to sell replays of hit network shows on VOD, or video-on-demand. Fox said the deal between the company and its affiliates was being threshed out over the past several months and finalized last week. With its more

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than 150 affiliated stations, Fox said the present development is in an indication of “the beginning of a change in the relationship between the affiliates and the network”.

Hardware

- **For the first three months of the year, IBM disclosed earnings of US\$1.7 billion, on revenue of US\$20.7 billion.** In the same period last year, IBM’s net income was US\$1.4 billion, with revenue of US\$22.9 billion in the same period in 2005, which included results from IBM’s personal-computer division that had been sold to Lenovo Group. Excluding personal computer sales, the comparable figures from last year were profit of US\$1.3 billion, and revenue of US\$20.6 billion. Industry observers note that the strong competition coming from less-expensive providers worldwide had caused IBM’s services to post slow growth in recent quarters. IBM’s profits have been largely ascribed to expense cuts and relocation of labor from markets such as Europe to places like India. In the first quarter of this year, the services division reported a 1-percent decline in revenue, even as IBM stated that it would have posted a 3-percent gain without currency fluctuations. The IBM group disclosed that it was able to secure services contracts valued at US\$11.4 billion in the quarter, which represents a rise from US\$10 billion a year earlier. These contracts will not be counted as revenues until future periods; however, the number is seen as index of IBM’s strength in services. IBM’s two other major divisions – hardware and software – revenues increased each by 6 percent assuming the sold-off PC business and currency fluctuations are not factored in.

Europe

Hardware

- **Philips Electronics reported net profit of 160 million euros (US\$197.4 million), missing the analysts’ forecast of 221 million euros (US\$272.7 million).** The company posted a net profit of 117 million euros (US\$144.3 million) in the same period a year ago. The company, however, announced the good performance of its core units, as it reported sales of more flat-screen televisions, lamps and medical equipment. The company said a charge of 45 million euros (US\$55.5 million) at its bankrupt television and monitor tubes display joint venture LG.Philips Displays brought about a loss of 36 million euros (US\$44.4 million) to the unconsolidated firms, compared to the analysts’ average expectations of a profit of 26 million euros (US\$32 million). Philips said its revenues registered growth that was faster than the expected 7.3 billion euros (US\$9 billion) from 6.6 billion euros (US\$8.1 billion) a year earlier.

Internet

- **London-based Telnic announced that it has made a proposal to the Internet Corporation for Assigned Names and Numbers (ICANN) for the Internet’s key oversight agency to consider a “.tel” domain name.** Tecnic, the firm that would be running the domain, said this would help users manage all their contract information online as it describes “.tel” as easier to remember compared to the series of numbers behind every Internet-connection. London-based Telnic, which proposed and would run the domain, likened “.tel” to the creation of domain names as an easier-to-remember alternative to the series of numbers behind every Internet-connected computer. Under the proposal, consumers could use a “.tel” website to determine customers’ locations and link them to the right call center. . The board of the ICANN is said to be planning to review the proposal, although it may wait until next month or later to decide. Telnic did not say in its application how much a “.tel” name would cost. If approved, the domain could be available this year.

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Media, Entertainment and Gaming

- **An alliance of media and technology companies that include BT Group, ITV and Vodafone Group, issued a warning that new European Union broadcasting rules could hamper the growth of emerging media formats such as video broadcasts through the Internet and mobile phones.** Included in the group were the British subsidiaries of Yahoo, Intel and Cisco Systems. At the center of the issue is the proposal from the European Commission to impose rules for traditional broadcasters on new media providers, a move that the group sees as having "unintended consequences" on them. The alliance said it could also hurt investment. The draft legislation proposed in December aims to level the playing field by applying the same rules to everyone, rules that include limits on hate speech, advertising and the kind of content that can be broadcast to children. Intellect, a London-based business lobby representing technology companies, stated that it would be difficult to enforce strict rules designed for television broadcasters on video transmitted over the Internet or on 3G-mobile phones. The group said the EU proposal could ultimately mean less investment for an area that had enormous growth potential, with the impact to result to fewer firms, less innovation and higher prices. Without responding to the protests, EU officials maintained they have no plans to regulate the Internet.
- **BBC World, BBC's global commercial 24-hour news channel, announced that it is tapping into the new market for mobile phone TV through collaborations with telecommunications operators from Finland and France to Hong Kong, Malaysia and Australia.** The company said it has entered into a deal with PCCW's NOW Broadband to explore a new interactive Internet portal TV service. A top BBC official disclosed that the company looks to transforming the BBC World brand from linear television to an interactive BBC World on Demand model. BBC Worldwide remains the biggest profit-making arm of the BBC conglomerate having generated total sales of 706 million pounds (US\$1.2 billion) in 2005. BBC Worldwide posted record profits of 55 million pounds (US\$98 million) in the 2005, a 50-percent rise from 2004. Its products include international programming distribution, magazines, books, videos, English-language teaching products, videos for education and training, interactive telephony and co-production, among others. The company said the U.S. is still its biggest market, posting from 5 to 8 percent growth in the area. The company is aiming for a growth for 2007 of 12 to 15 percent for Eastern Europe, India, Africa and Asia, with China sales forecast to increase by 1.5 percent. China sales are forecast to grow by 15 per cent.

Mobile/Wireless

- **Ericsson announced a net profit of US\$608.6 million in the first quarter, indicating figures that remain flat compared with the same period last year.** The company said its sales went up to US\$5.1 billion from US\$4.1 billion, which the company attributed largely to growth in the group's services segment. Ericsson said it posted pretax profit of US\$886.5 million, a figure that was below analysts' forecast of US\$992.3 million. Even its operating margin, at 16.9 percent, was way below analyst's prediction of 18.9 percent. The company said that it sees the global mobile network systems market manifesting "moderate growth". To analysts, this growth comes between 5 to 10 percent which analysts said probably meant between 5 per cent and 10 per cent. Reports show Asia-Pacific sales registering a 44-percent growth, with most of its ascribed to growth in Australia, India, Indonesia and Japan. The situation in China was described as "still in a waiting mode" as the country waits for development on 3G mobile technologies. With worldwide mobile subscription increasing by 100

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million in the first quarter, Ericsson said it forecasts global subscriptions to go beyond the 3-billion mark by 2007.

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