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

Week of 4 June - 10 June, 2006

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Weekly Highlights

International

Semiconductors

- **Global chip sales are expected to reach US\$249.6 billion this year, representing a 10 percent increase from last year, according to a revised estimate by the Semiconductor Industry Association.** The group ascribed this growth to the popularity of consumer gadgets now transformed into communications and entertainment hubs. Earlier in November, the trade group released a forecast stating that this year's chip sales would grow by 8 percent to US\$245 billion. The association said sales are forecasted to post a faster growth rate in the next two years, with 11 percent in 2007 and 12 percent in 2008. The demand fueling this growth is expected to slow down in 2008, with chip sales rising 4 percent to US\$323 billion. The trade group estimated mobile phone shipments will post a 20 percent rise to about one billion units this year. Each of those devices contains chips costing an average of US\$41. The Semiconductor Industry Association boasts a membership that includes more than 85 percent of the U.S. chip industry.

Hardware

- **CRT (Cathode Ray Tube) remains the dominant TV technology even as new flat-panel display technologies are very popular in the media, according to iSuppli.** The research firm uses the return of TTE to the TV market's top rank in the first quarter as a good indicator of this resurgence. TTE accounted for 11.2 percent of TV unit shipments in the first quarter of 2006, up from 9.7 percent in the fourth quarter, according to iSuppli. The growth allowed TTE to beat LG Electronics and Samsung Electronics, two firms that accounted for 9.7 percent and 8.6 percent of unit shipments during the first quarter. Philips remains in fourth place, with a 6.7 percent share of sales. Sony was No.5 with 5.9 percent of the market. TTE is a joint venture between TCL of China and Thomson of Europe. While overall shipments of CRTs declined in the first quarter, they still dominated the television market, accounting for 76 percent of total TV units. Together with TTE, Chinese OEMs Changhong, Konka and Skyworth ranked among the top 10 in the global CRT-TV market in the first quarter. All of the Chinese brands collectively accounted for 34.4 percent of the global CRT TV market. Korean brands are second, accounting for 17.9 percent of unit shipments.

Mobile/Wireless

- **The worldwide convergence of mobile device or smartphone market showed no signs of slowing down during the first quarter of 2006, recording a new record in quarterly shipments, according to IDC.** The research firm's Worldwide Quarterly Mobile Phone Tracker noted that worldwide- converged mobile device shipments totaled 18.9 million units in the first quarter of 2006, showing a 7.5-percent growth increase from the fourth quarter of 2005 and 67.8 percent compared to the same quarter one year ago. IDC said the worldwide market has broadened in terms of the number of vendors who have entered into this space, and deepened as far as the kinds of devices coming out for consumers, enterprise users, and fans of multimedia. The lure of new products combined with heightened competition among the vendors, should continue to drive the smartphone market to new heights, according to the study.

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Japan

Internet

- **Softbank Corp. announced that it swung back to profit in the January-March quarter, results that it ascribed to strong sales in the company's broadband business.** The firm said its net income hit 39.7 billion yen (US\$358 million) in the fiscal fourth quarter, compared with a loss of 27.2 billion yen (US\$238.6 million) a year earlier. Its quarterly sales posted an 8.4-percent growth to 298.4 billion yen (US\$2.6 billion) from 275.2 billion yen (US\$2.4 billion) a year ago. Its profits from its broadband service using ADSL continued to rise following a subscription gain of more than 5 million subscribers. Its fixed-line telephone business saw an improvement, as it generated an operating profit of 2.9 billion yen (US\$26.4 million) compared to an operating loss it registered a year earlier and in the previous quarter. For the 2005 fiscal year, Softbank reported a net income of 57.5 billion yen (US\$518.8 million) compared to a loss of 59.8 billion yen (US\$524.6 million) a year earlier. It posted a 32.5 percent growth in its sales to 1.1 trillion yen (US\$10 billion) from 837 billion yen (US\$7.3 billion) a year earlier.

Mobile/Wireless

- **Wireless service operator Willcom Inc. is expected to go public somewhere in October 2007 by way of a share offering valued at more than 200 billion yen (US\$1.7 billion).** The wireless operator is owned by U.S. fund Carlyle Group and Japan's Kyocera Corp. The planned share flotation of Willcom will also mark the fourth Japanese exit by Washington-based Carlyle, which oversees more than US\$39 billion of assets under management worldwide. Willcom is also the largest operator of PHS (personal handyphone system). Daiwa Securities, Merrill Lynch and Morgan Stanley are helping prepare the listing.

Semiconductors

- **Ebara Corp., a Japanese company that makes semiconductor-manufacturing equipment, announced that it has entered an agreement that will allow it to conduct research at Albany NanoTech.** The three-year agreement is placed at about US\$5 million. With this move, the Tokyo-based Ebara becomes the latest semiconductor equipment company to join Albany NanoTech, a US\$3-billion partnership involving the University at Albany's College of Nano-scale Science and Engineering and semiconductor companies. Ebara posted US\$4.5 billion in sales in 2005. Equipment manufacturers Tokyo Electron Ltd. of Japan and Applied Materials Inc. of California are two other companies with research-and-development agreements with Albany NanoTech.
- **inspect Inc., a Japanese semiconductor inspection equipment manufacturer, said it will list on the Mothers Market of the Tokyo Stock Exchange.** The company will offer 2,400 shares to the public in its initial public offering. Of those 2,200 are newly issued shares and 200 are shares currently held in private. The company expects to net 1.1 billion yen (US\$9.6 million) from the IPO. For the current fiscal year through June 30, the company is forecasting non-consolidated net income of 197 million yen (US\$1.7 million) on revenues of 2.4 billion yen (US\$21 million) Mizuho Securities is the lead underwriter of the offer.

Software

- **CyberStep Inc., a Japanese developer of online gaming software, announced that it has received approval to list on the Tokyo Stock Exchange's Mothers market.** The company will offer 3,950 shares to the public in its initial public offering. Of those, 1,500 are newly issued shares and 2,450 are shares currently held in private. The company will offer all the shares through the book-

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building method. For the current fiscal year through May 2007, the company forecasts a parent pretax profit of 440 million yen (US\$3.8 million), net profit of 252 million yen (US\$2.2 million), and revenue of 1.2 billion yen (US\$10.5 million). For the last fiscal year ended May 31, the company expects a parent pretax profit of 390 million yen (US\$3.4 million), net profit of 234 million yen (US\$2 million), and revenue of 907 million yen (US\$7.9 million). Nikko Citigroup is the lead underwriter of the offer.

Hardware

- **Sony Corp. said it is looking to get 17 billion yen (US\$150 million) in profit from its sale of retail businesses in the year to next March.** The Japanese electronics and entertainment firm announced the completion of a transaction that saw it forming a holding company for several non-core businesses and said it sold a 51 percent stake in it to Nikko Principal Investments Japan Ltd., a unit of Nikko Cordial Group Corp. The financial details of the deal were not disclosed.

Telecommunications

- **The Ministry of Internal Affairs and Communications announced its decision to urge Nippon Telegraph and Telephone Corp. to cut the fees it charges other communications services providers for using its fiber-optic lines as early as fiscal 2008.** The ministry's committee on competition in the telecommunications market is expected to include the reduction plan in its report due out July, the sources said. Having seen ADSL services rapidly expanded throughout the nation after lowering access fees, the ministry expects the same result in the fiber-optic services. It expects lower fees to encourage new service providers to enter the market, and therefore lower the charges for end-users. NTT dominates the fiber-optic communications market with about a 60 percent share. It provides fiber-optic access to households at 5,074 yen (US\$44) per month. Other providers borrowing the lines from NTT charge about 6,000 yen (US\$52) per month from households after covering part of the fees they have to pay to NTT.

Korea

Internet

- **Yahoo disclosed that it would pay US\$60 million for the acquisition of some 10-percent stake in South Korean e-commerce provider Gmarket.** Yahoo, noting that the company does not have a leadership position in e-commerce auctions in South Korea, said it is looking to Gmarket's leadership position in the country as valuable. Yahoo said that it would purchase the stake from venture capital firm Oak Investment Partners, which it said was the only significant outside institutional investor in Gmarket.
- **Gmarket Inc., an e-market company, announced it's filing for an IPO of up to US\$100 million in American depositary shares.** The company said it plans to use the net proceeds from the sale of its shares in the IPO to upgrade and expand its network and to conduct marketing activities. Some of the funds will be used for working capital and other general corporate purposes. Goldman Sachs International, Cowen & Co. and Thomas Weisel Partners LLC are listed as the underwriters for the offering. For the three months ended March 31, the company posted net income of US\$2 million and revenue of US\$29.1 million. Gmarket did not disclose details about the number of shares to be offered or an estimated price range for the IPO.
- **TMSBroadcasting, and NCsoft North America announced the creation of Lineage Radio, the official online radio station devoted exclusively to supporting the LineageR II gaming**

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community in North America. LineageRadio.com will feature a 24/7 audio stream, with exclusive Lineage II interviews, news and features. Industry observers are saying the Lineage Radio will set a new standard for Internet radio especially for gamers. The agreement between TMSBroadcasting and NCsoft is expected to bring listeners contests, podcasts, events, and access to the development process, as well as interviews highlighting key members within the Lineage II community, including both fans of the title and NCsoft staff alike.

- **A government report indicated that South Korea's e-commerce sales posted a decline in April due mainly to seasonal factors.** The National Statistical Office (NSO) said e-commerce transactions in the country hit 1 trillion won (US\$1 billion) in April, a figure that represents a 5-percent decline from 1.1 trillion won (US\$1.1 billion) a month earlier. The seasonal factors include the return of children to school, which increased demand for computer-related items, books and clothing. The NSO said that from a year earlier, April sales were up 31.2 percent. The report noted that there were eighteen more cyber-shopping malls in April than in the previous month, bringing the overall number to 4,421.
- **Major multinational online game publishers like Mforma, Gameloft and Electronic Arts are reportedly set to tap the South Korean mobile game market.** EA Korea revealed its plans to expand the business from game consoles and PC online games into mobile games by leveraging Jam.com, a mobile game provider recently bought by the company. The company has decided to introduce a mobile version of the football game FIFA. Mforma, which bought Java Game and Mobile Game three years ago, said it is aiming to increase its presence in the market this year. The company has decided to change the name of the company to Hands On Korea in the third quarter of this year as a part of efforts to boost its mobile game brand image. Gameloft said it is readying the launching of some 25 mobile titles including four 3D games in the second half of this year. The company already introduced 'Brothers in Arms' war game, and plans to roll out a series of 3D sports including baseball and football via SK Telecom.
- **CJ Internet said that 'Sudden Attack' developed by GameHI and serviced by its own game portal Netmarble continues to make record-breaking 120,000 concurrent accesses.** The company ascribes the growth to the sudden rise of users in the middle of explosive popularity of the low-gravity map newly released and growing recognition and popularity of the company. The low-gravity map named 'G-Cube' is said to give a unique excitement in shooting as the battle is done in space. Along with this, a voice chatting system that was updated is an important contributor to the popularity of the game. Industry analysts are saying 'Sudden Attack' will be a source of revenues that will contribute to a huge profit in the second half of the year after being commercialized this month. CJ Internet said it plans to activate contests related to e-sports between regions and generations.
- **Background music service provider Q~ announced that the music link over its site topped 100 million in six months from the launch of service.** A total of 81,458 bloggers visited the site as of June, playing more than 1 million music files. Q~ provides music search and access for bloggers and cyworld mini homepage users. The service offers access to open songs linked to other users' sites, offering such user-friendly features as "history," "random playback," and "channels." It is based on Internet users' volunteering postings of music links, and there are small chances of being involved in copyright dispute.

Media, Entertainment and Gaming

- **Muhnwa Broadcasting Corporation (MBC), South Korea's multimedia public-service broadcaster, announced that it has initiated the sending of data broadcasting over digital TV.** MBC plans to offer additional information and audience participating service in the form of drama,

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news, education, and entertainment program. MBC said a 24-hour real-time information such as news, weather forecasting, traffic information and stock information will be provided without connection to programs. For clients to receive data broadcasting audience, they have to buy a digital TV monitor available to data broadcasting or a data-broadcasting-only settop box. For two-way service, they should be connected to Internet.

- **Korea Telecom Hitel (KTH), a South Korean web portal company, announced that it would provide video contents for Wonder Zone, a KT WiBro video contents service.** KTH will make the most of the wireless broadband environment and deal with unique subjects that movies or TV can't touch on. Unlike other online VOD (Video-on Demand) services, Wonder Zone is an exclusive content-producing brand for WiBro and will provide various programs covering comedy, humor and documentary genres.
- **NCsoft announced the release of a free expansion to City of Villains and City of Heroes, Issue 7: "Destiny Manifest," in both North America and Europe.** In addition to level 40 to 50 content for villains, the new expansion adds the opportunity for villains to wreak havoc in new "mayhem missions," and a player-versus-player (PvP) zone where villains and heroes clash to control a dynamically changing battlefield. The company said the expansion is free to both City of Heroes and City of Villains' subscribers. The new City of Villains 40 to 50 level content includes more than 300 new missions and a new zone for level 40 and higher players. NCsoft said the free expansion also includes new base features including storage items, empowerment stations, super group banners, and base color tinting. The expansion provides a new set of costume options and adds "sweeping" art and graphics improvements to City of Heroes.

Mobile/Wireless

- **Samsung and LG are competing in the Indian mobile market, with Samsung Electronics having rolled out India's first wide screen CDMA phone, Wideo, after LG Electronics launched its new GSM phone in India.** Samsung, in its release of Wideo, said it is valuing its association with Tata Indicom and looks to boosting Tata Indicom's handset portfolio. LG Electronics launched its feature packed GSM phone in India, making it the first GSM in the country. The device is fitted with features that include a pre-installed English-to-English dictionary and a password-protected folder application called "data bank," which enables consumers to safely store confidential information on their phones.
- **Observers are saying that market reactions are divided over SK Telecom Co.'s possible purchase of a 10 percent stake in China Unicom Ltd.** The country's largest wireless carrier is reportedly in the process of hiring advisers to buy the stake in China's No. 2 wireless operator for about US\$1.1 billion. An analyst from CLSA, Asia's leading independent brokerage and investment bank was quoted as saying that the acquisition of China Unicom stocks will have negative effects on SK Telecom stocks, citing the Chinese company's uncompetitive CDMA business, a possible fall in STK's dividend payout in 2007, an unattractive purchase price and the intense competition it will usher in with other foreign operators. An SKT official also noted the rumor that Chinese authorities are now considering other foreign operators in mind as the potential buyer of the China Unicom stake.
- **The Ministry of Information and Communication (MIC) of South Korea announced that South Korean and British companies have started test service of terrestrial DMB of Korea and DVB-IP of the UK for seven months until January 2007.** Like DMB, DVB-IP is also based on Eureka-147, but adopts IP method, using Window Media Encoder. The mobile TV test service will be conducted in London, with a group of British experts to conduct a comparative experiment. During

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the test period, Korean DMB handsets will be provided, which the MIC expects will contribute to Korean DMB's penetration into the UK. Observers noted that the FIFA World-Cup is a factor that could lead to DMB boom.

- **K-Netpi announced the launching of a mobile game displaying as many as 40 characters on a 2-inch screen.** The mobile game is called "Suhoji Mussang Battle," a large battle game with up to 40 characters played at the same time, via SK Telecom, KTF, and LG Telecom. The company said the new game delivers 3D-like effects in distance and space over 2D mobile handsets.
- **Pantech Group announced signing up on a contract on ODM manufacturing of CDMA phones with Nokia.** Pantech & Curitel revealed that the contract valued at US\$129 million would allow the company to ship CDMA camera phones and EV-DO phones to the Finnish phone maker. Curitel supplied mobile phones to Nokia last year, too. The contract will be implemented from June to December 2006 and the phones will be on sale in North America. According to Pantech Group, the contract would assure stable sales and order intake in the region.

Semiconductors

- **Analog Devices, a supplier of high-performance semiconductors for signal processing applications, announced its acquisition of South Korean DMB tuner chipset maker Integrant Technologies in a deal valued at US\$160 million dollars.** Integrant holds more than 100 patents or patent applications around the world including, among others, the technology to convert RF signals to baseband frequencies directly. It will be part of Analog Devices as it deals with high-speed signal processing whose innovations in RF design focuses on receivers and transceivers for broadband wireless, satellite radio and terrestrial and cable TV. Analog Devices said that it will acquire all the shares of Integrant through 60 days of due processes.

Telecommunications

- **SK Telecom said it is seeking to expand in markets elsewhere in Asia, especially in China. Analysts see this as the firm's response to the saturated domestic market in the country.** The report said SK Telecom is reportedly making plans to take a 10 percent stake in China Unicom, China's second-largest mobile company. Some reports even disclosed that SK Telecom would shell out up to US\$1.1 billion for the China Unicom stake. SK Telecom is now in search for advisers to work with them on the proposed deal. Sprint Nextel of the U.S. and KDDI Corp. of Japan were some of those foreign firms interested in Unicom.
- **In what is seen as another level of market competition, Telecoms carriers such as KT, KTF and Hanaro Telecom are rushing to roll out differentiated services adopting Wi-Bro wireless Internet, 3.5G HSDPA and TV portals, putting final touches on brand promotion and new price plans.** Wi-Bro and HSDPA offerings are set for some 30,000 won (US\$31) monthly, and Hanaro Telecom has decided to provide TV portal service for around 10,000 won (US\$10) as earlier announced. KT said it is naming the new Wi-Bro service, launching ads and writing policies. KT is now considering combining the basic rate and pay-as-you-use; offering handset subsidies for notebooks and PDAs; and lowering prices for convergence service. KTF is also making moves after moving up the launch of HSDPA service from next month to this month, with the company changing its brand service. Hanaro Telecom disclosed that it is putting final touches on brand marketing and policies and procedures ahead of the launch of its TV portal service set for early next month. The company is now weighing between "Hana TV" and "Hanofos TV," and seeking to highlight differentiating features of TV portal service through advertising campaigns.

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China

Internet

- **Ctrip.com International Ltd., an online travel agency, announced the establishment of a college aid program aimed at giving financial assistance so that students may be able to finish their college education.** In order to set up the program, Ctrip said it will donate some 10 million yuan (US\$1.2 million) over the next five to ten years. The company said the program will cover 14 colleges in the cities of Qingdao, Shenyang, Wuhan, Chengdu, Xiamen, Hangzhou and Nanjing.
- **China World Trade Corp. announced the launching of an online store offering wholesale international air ticketing through its subsidiary New Generation Commercial Management Co. Ltd. (NG), in the third quarter of this year.** The store will be making use of IT and call-center technology when it consolidates NG's wholesale business in order to provide second-tier agencies with access to tickets by way of a web site and a national fixed network telephone number. The online store offers air tickets from more than 60 airlines in the world and is supported by ABACUS, the Singapore-based Global Distribution System (GDS) in Asia Pacific. The China World Trade Corp. offers business travel-related services and business value-added services throughout major cities in China.
- **ZCOM, an e-magazine platform developer in China, announced that it has signed an agreement with 23 Chinese publications that will allow it to launch the online versions of these magazines.** With over 60 print magazines working on the e-versions of their products using the technology of the company, ZCOM is considered to be one of the largest e-zine platforms in China. It has a combined circulation of more than 3 million subscribers. A top official of the company looks to the launching of these 23 e-magazines to boost their company's content and popularity.

Mobile/Wireless

- **CEC Telecom, the mobile-phone manufacturing subsidiary of electronics firm Qiao Xing Universal, announced its plans to seek a NASDAQ listing.** The company said it aims to raise some US\$150 million by the fourth quarter of this year and that it would use it for research and development of 3G-handsets. CEC disclosed that it has secured US\$60 million from private equity funds. In November 2005, Qiao Xing said CEC had an unaudited gross profit of US\$24.6 million for the first nine months of last year, representing a 91 percent rise from a year earlier. Qiao Xing first bought 65 percent of CEC, partly from China Electronics Corp, in March 2002, for 316 million yuan (US\$39.4 million), followed by 25 per cent in May 2004, and the remaining 10 per cent at the end of last year. CEC competes with other mainland brands such as TCL, Konka and Ningbo Bird for a share of the country's handset market, which saw 22.3 million units sold in the first three months of this year.
- **eBay and Tencent Holdings' Paipai.com announced they are entering into an alliance that will enable them to offer a free mobile online auction and purchase service.** The partnership is expected to boost the chances of the two mainland companies to obtain a large share of the market from Taobao.com, the present market leader. Paipai.com revealed its plan to keep the auction free of charge for at least three years, with eBay offering a service that will enable users to purchase directly from the portal, but not to bid online. According to iResearch, Taobao.com holds a market share of 57 percent in the first quarter this year, with eBay holding 28 percent and Paipai.com 14 percent. Paipai.com has more than 17 million registered users at present.

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Media, Entertainment and Gaming

- **China Mobile Group announced that it would indeed take 19.9 percent of mainland broadcaster Phoenix Satellite Television Holdings from Rupert Murdoch's Star Group.** The move signals its initial incursion into the media. Even as the two firms would not disclose details of the financial transaction, other sources state that the stake was sold at about HK1.4 billion (US\$180.3 million). With the transaction, China Mobile eases out Star as the second-largest shareholder of the broadcaster, with Star owning 17.6-percent stake. Under the deal, China Mobile and Phoenix will form an alliance to explore business opportunities in mobile media globally in areas such as the development, production and distribution of wireless services such as music, social networking and other value-added services.
- **CCTV, China's State TV station is predicting an audience of 10 billion for its World Cup coverage.** With full coverage of all 63 matches, CCTV is expecting an audience that will come up to more than the combined total of 7 billion in the year 2002. Even as the Chinese national team is not playing, having not qualified for this year's World Cup, CCTV believes that this would not significantly affect the interest of the Chinese audience. The time difference of the coverage is not crucial also to deter the audience from tuning in to the coverage. A poll conducted by Global Market Insite Inc. found that up to 70 percent of the Chinese respondents said they would watch all the World Cup Games, despite the time difference. About two-thirds said they planned to call in sick or take leave from work to watch the matches that would come out in China in the early hours of the morning.
- **Omnicom Group Inc. and China's CITIC Guoan Group announced the formation of a strategic partnership that will allow them to work jointly in all areas of advertising and marketing services in China.** Forming the Omnicom Group are three global advertising agency networks: a global network in specialty communications; national advertising agency brands, based in the U.S.; and a media group including two providers of media planning and buying services. The first phase of the alliance will see the creation of DDB Guoan Communications Beijing Co. Ltd. (DDB Guoan). In this advertising agency, Omnicom will own the majority of shares. A merger of DDB China will form the entity and Beijing Guoan Advertising Corp. DDB China is part of DDB Worldwide, which is part of the Omnicom Group. Beijing Guoan Advertising is a subsidiary of CITIC Guoan. CITIC Guoan, a division of China CITIC Group, CITIC is tasked with information industry operations.
- **Sohu.com announced it is setting up a wholly owned entertainment company, Sohu Entertainment and Culture Media Co., Ltd., a move that marks its entry into the entertainment sector.** A top official of the Chinese Internet portal said that the new company is not expected initially to bring in profit although they expect to gain experience and learn lessons from the new venture. The registered capital of the new company has not been disclosed although Sohu said it has never made such a large investment on a side business like this entertainment company. In a separate development, "The Time of Our Lives", the official song of the 2006 FIFA World Cup, was released in China by Sohu.com. Sohu.com Inc. has entered into a cooperation agreement with Sony BMG, the official music copyright owner of the FIFA World Cup 2006 Germany.

Software

- **Aladdin Knowledge Systems Ltd., provider of computer network security systems, announced an agreement that makes Shanghai Wicresoft Co. Ltd. its distribution partner.** Under the deal, Shanghai Wicresoft Co. Ltd., a joint venture between Microsoft Corp. and the Shanghai Municipal Government of China, will serve as a distribution partner for the Aladdin eToken identity management

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solution and HASP software protection and licensing solutions. Aladdin's Software Digital Rights Management (DRM) and enterprise security sales are presently registering a continuous climb all over China. Financial terms of the deal were not revealed.

Hardware

- **Fujitsu said it is looking to expand computer hardware sales in the mainland and Hong Kong up to US\$500 million by 2008.** The company said it can only achieve its global business goals if it succeeds in China and thus looks at the move as a marketing move beyond Japanese multinationals and into Chinese enterprises. Fujitsu defines its strategy as including the establishment of platform solutions centers that would enable customers to test systems in Shanghai. Already, a center of this type has been set up in Shanghai, with one in Hong Kong to be opened soon and another in Beijing slated to be built in March 2007. The company looks to its sales of PCs to post US\$200 million and its servers and storage systems to reach US\$300 million by 2008, growths ascribed to steadily growing technology investments of businesses. The company said its sales of the group's computer hardware products reached US\$200 million in 2005 in the mainland and Hong Kong. Fujitsu for a long time said it has concentrated on providing for the IT requirements of Japanese multinationals in the mainland and Hong Kong. Gartner said IT spending in the mainland this year would reach US\$62.3 billion, of which US\$14 billion would consist of hardware. In Hong Kong, enterprise technology investments are forecast to hit HK\$50.5 billion (US\$6.5 billion) this year, with hardware accounting for HK\$8.4 billion (US\$1 billion), according to Gartner.

Semiconductor

- **Semiconductor Manufacturing International Corp (SMIC), China's largest maker of made-to-order microchips, said it would consider buying two government-owned plants so it could expand production capacity.** The expansion is a response to the rising global demand for chips. SMIC earlier disclosed its plans to rent the plants in Wuhan and Chengdu from the government, with the intention of acquiring them in three to five years. The Wuhan plant would be built this year and was expected to start production at the end of 2007. The Chengdu plant was expected to start production of 8-inch wafers in the first quarter of next year but no output targets were given. SMIC said it has secured a deal with a group of banks for a new US\$600-million loan, which will be used to pay off earlier loans and in part to expand its Shanghai wafer plant. The 18-bank consortium includes ABN Amro and Bank of China.

Telecommunications

- **An industry source said that China Netcom Group Corp (Hong Kong) and its parent firm will receive US\$402 million in cash from the sale of its undersea cable carrier Asia Netcom to three private equity funds, which include London-based Ashmore Emerging Markets, Liquid Investment, Spinnaker Global Opportunity Fund, and New York-based Clearwater Capital.** A banking source revealed that the negative book value of the service and sales unit would make China Netcom record a one-off gain from the sale. Parent China Network Communications Group Corp, which owns the undersea cable network, is seen as receiving US\$233 million for its assets. Ashmore, which holds a range of telecommunications assets in Asia, is the biggest fund out of the three with US\$20 billion assets under management. Matthew Burlage, a banker at investment bank IRG representing the three private equity investors, said the new shareholders would give Asia Netcom three years before they decided whether to inject more capital so it could acquire other companies, or exit via an IPO.

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Information Technology

- **International Data Corporation (IDC) forecasts China as getting a 24-percent share in the regional technology-services market share by 2010, which will result to the country overtaking Australia as the largest market for professional IT services in the Asia, Pacific, excluding Japan.** IDC points to increasing domestic demand and with business leaders in China shifting to IT services as the reason for the rise of China in the field. IDC estimates the technology services market in Asia Pacific, excluding Japan, to post a 10-percent growth annually to hit US\$48.3 billion in 2010 from US\$29.5 billion last year. The mainland technology services market last year totaled US\$5.1 billion, a figure that represents a 17.2 percent regional market share, compared with Australia's IT services market last year worth US\$9 billion. IDC said the mainland technology services market consists of three sub-markets, namely outsourcing, consulting, system integration, and technical product support.
- **Pay88, Inc. announced that it has signed a Letter of Intent with QianBao Technology, a Chinese company.** If the contemplated transaction closes, Pay88, Inc. shall acquire certain assets from QianBao Technology, including without limitation, various intellectual property, approximately US\$300,000 in cash, certain real estate holdings, its online payment platform system, software, domain name and its customer base. In consideration for the assets purchased, Pay88 shall issue preferred stock to QianBao, with certain preferences and conversion rights to be negotiated between the parties. QianBao specializes in creating business networks for the distribution of online payment systems and platforms. Currently it has over 1,000 commercial users and a large private individual customer base. Pay88 is a U.S.-based firm focused on the business of facilitating electronic money transfers from the United States to China.

Taiwan

Internet

- **Dopod (Cayman) Holding Corp, a Taiwan smart-phone supplier, announced its plans to publicly list its shares in Hong Kong as early as next year after becoming a wholly owned subsidiary of High Tech Computer Corp.** High Tech Computer, a Taiwan-listed firm, said it has signed a memorandum of understanding (MOU) with Dopod's existing shareholders to acquire the company in a deal valued at about US\$150 million. Dopod reported net profits of US\$8 million for the 12 months to December last year on revenue of US\$130 million. For the three months to March this year, the company said its net profits reached US\$5 million. High Tech Computer's smart-phone and PDA phone clients include mobile operators Vodafone and Orange. Dopod operates in Taiwan, Hong Kong, Singapore, the mainland, Malaysia, Thailand, Indonesia, New Zealand and Australia.

Media, Entertainment and Gaming

- **eBay and Taiwanese internet services provider PChome Online, a Taiwan-based Internet Services provider announced entering an agreement to form a joint venture that will merge their online trading activities in Taiwan.** Under the agreement, the two firms said they would launch co-branded website for online auction-style and fixed-price trading for buyers and sellers in Taiwan. The agreement will see PChome Online managing the new web site, which will replace its existing auction channel as well as that of eBay Taiwan site. PChome Online is the No. 2 Internet portal and the leading e-commerce web site in Taiwan. It presently has 10 million members and is the local partner of Skype, which serves as eBay's online voice communications business. Financial details of the agreement were not disclosed.

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Semiconductors

- **United Microelectronics Corp (UMC) announced a 30-percent rise in its revenue last month from the same month last year.** For May this year, its revenue hit NT\$8.5 billion (US\$261.4 million), compared to NT\$6.4 billion (US\$196.8 million) in May 2005. The company's products are used in desktop computers, notebooks, digital cameras and mobile phones. A JPMorgan analyst disclosed that UMC's May revenue was slightly lower than the NT\$8.8 billion (US\$270.6 million) predicted but said that the company is expected to post "decent" revenues in the second and third quarters. UMC counts Texas Instruments, the world's biggest manufacturer of mobile phone chips by revenue, as one of its biggest customers.

Hong Kong

Media, Entertainment and Gaming

- **PCCW may have Bloomberg Television, a U.S.-based financial information provider, as a content partner for the business channel of its pay television arm NOW Broadband TV, according to an industry source.** The NOW Business News Channel focuses on local and foreign stock market news and investment analysis and is seen as a Chinese version of Bloomberg and General Electric's CNBC. This move by PCCW is seen as a plan to help draw away audiences from major rival Cable Television, which also has a financial news channel. NOW's newly launched channel also said it aims to become a partner for foreign financial media firms who look for Chinese language programs. The report said Bloomberg expressed interest in the programs of NOW's financial news channel and proposed to use the programs to build the Chinese version of Bloomberg Television Channel. Bloomberg could not be reached for any comment on the partnership. In another development, the Business News Channel said it plans to expand its coverage through mobile phone and the Internet. Currently, the channel is now available on PCCW's 3G mobile phones.
- **The Broadcasting Authority may hold its first public consultation on a terrestrial TV station's change of shareholding, a move that industry analysts see as a response to ATV's deal with Citic Guoan Group, a mainland corporation.** The present Broadcasting Ordinance restricts the influence and control of the licensee of a domestic free television service to those "ordinarily residing in Hong Kong". This means a licensee must live in Hong Kong for not less than 180 days in any calendar year, or the majority of its directors must have been living in Hong Kong for more than seven years, with the control and management of the company to be exercised in Hong Kong. According to Broadcasting Authority, the deal between ATV and Citic Guoan Group could be concluded only with its written approval. By law, Broadcasting Authority said it was not required to hold a public consultation. A spokesperson said, however, in a consultation in principle is possible so long as the Broadcasting Authority has secured further information from ATV. Legislators stated that share transfer could place undue influence on ATV's independence and its programming thrust.
- **Asian online media company Pixel Interactive Media Limited announced seeking admission of its shares to trading on the Alternative Investment Market (AIM) of the London Stock Exchange.** Pixel Media is an Asia-Pacific-based online media business that focuses on providing complete online advertising solutions through the Internet to publishers and advertisers throughout the region. The company has offices in Hong Kong, Kuala Lumpur and specializes in the sale of online advertising, sponsorship, search engine, and e-mail marketing solutions. Pixel Media said it posted 72-percent rise in its revenues to US\$3.6 million in 2004 from US\$2.1 in 2003 and by 58 percent to US\$5.8

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million in 2005. Pixel Media announced it would use the proceeds of the placing to fund the expansion of the business into China, Singapore and Taiwan, as well as to accelerate growth in its core markets of Hong Kong and Malaysia. Pixel Media's portfolio of advertisers includes internationally known brands such as ebay, HSBC, Nike, Adidas, Samsung, Dell, Sony Ericsson, Hang Seng Bank, Visa, Amex and P&G. The Group also works closely with international media buyers and advertising agencies in the Asia Pacific region, including Mindshare, Universal McCann, OMD, M&C Saatchi, Bates XM Asia, and Carat to develop and deploy interactive advertising campaigns.

Singapore/Malaysia/Philippines/Indonesia

Internet

- **Citiseconline.com Inc., a Philippine online financial services company, announced that it is set to start selling shares in its IPO of 110 million shares.** Citiseconline is expected to start a book building process on Tuesday and price the IPO shares. The IPO shares will represent 25 percent of the post-offer capital of the company. Citiseconline said it plans to use the IPO proceeds to expand market reach and customer base as well as for projects for customer retention. SB Capital Investment Corp. will manage and underwrite the IPO.

Mobile/Wireless

- **Motorola revealed its plan to invest some US\$60 million for the expansion of its global supply chain operations in Singapore over the next two years.** The company said its supply chain handles about US\$10 billion a year. Motorola notes that improving the efficiency of its supply chain can be a key driver of profitability for the company. The supply-chain control center in Singapore will be operational by 2008. It will handle global buying, procurement, sourcing and logistics across all of Motorola's businesses, ranging from mobile devices to networks and connected home solutions. A top company official also said that the expansion would cover staff recruitment, research and development, IT systems and manufacturing process technologies. Strategy Analytics placed Motorola as No. 2, with a global handset market share of 20.1 percent share, following Nokia, with 32.8 percent. In a separate development, Motorola said it would announce the setting up of a manufacturing site related to mobile devices and network infrastructure in India.

Telecommunications

- **The Singapore Telecommunications (SingTel) announced its plan to invest some 100 million Singapore dollars (US\$63 million) in the next two years to promote its Internet services for businesses.** SingTel disclosed that its main objective is to be the top Internet service provider for the corporate market in the Asia-Pacific region by 2009. SingTel at present holds about 9.5 percent of the Internet Protocol Virtual Private Network market share in the region and through the investment the company aims to enhance its network infrastructure and expand its portfolio of services. For its growth areas, it has identified overseas operations, corporate Voice over Internet Protocol market, as well as managed communications and information technology (IT) needs services to small and medium-sized enterprises in Singapore. In 2005, corporate business accounted for more than 40 percent of SingTel's earnings.

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United States/Canada

Internet

- **Vonage Holdings Corp is the target of a class-action lawsuit alleging that the Internet phone company lured consumers toward investing in its US\$531 million IPO.** The lawsuit states that Vonage and its underwriters violated a securities law that "requires a company recommending the purchase or sale of its securities to a customer must have a reasonable basis for believing that the recommendation is suitable for the customer", according to law firm Motley Rice. In May it amended a filing it made earlier, a move that observers said may have called the attention of investors of some technical errors in its IPO. About 10,000 of Vonage's 1.6 million customers had agreed to buy shares, with some customers saying that they would not pay for the shares. Reacting to this, Vonage says it will pursue those funds.

Media, Entertainment and Gaming

- **Warner Music announced that it has acquired a minority stake in Front Media, a Japanese firm that produces radio programming delivered over mobile phones.** The deal is the latest in worldwide deals entered into by Warner Music in its bid to distribute songs digitally. Earlier, Warner Music signed mobile deals with SK Telecom of South Korea and Johnnic Communications of South Africa. Together with hybrid radio and mobile broadcasts, FrontMedia also developed full-length over-the-air music downloads on NTT DoCoMo and the first interactive mobile broadcast, using free mobile TV site Click.TV. Financial details of the deal were not disclosed. Digital downloads and mobile streams are replacing CDs. This trend sees Sony Music as No. 1, followed by EMI. Warner Music, with 4 percent market share is No. 3. In Japan, mobile services dominate digital revenue in Japan, accounting for approximately 90 percent of the US\$293 million-revenue generated in 2005.

Software

- **Microsoft disclosed the cancellation of its earlier plans to include an automatic way to save documents of the popular PDF format in the next version of its Office software.** The announcement came while the software giant is in the middle of a conflict with Adobe Systems. Microsoft said that users who buy Office will have to download separate, free software to save documents created in Office products such as Word and Excel as PDFs. Microsoft earlier announced that Office would be able to save PDFs, or Portable Document Format, which was developed by Adobe, to which Adobe objected. Microsoft is in the middle of developing XPS, or XML Paper Specification, a competing format for saving documents that cannot be easily modified. Microsoft said Adobe had wanted it to charge customers when they want to save Office documents in either PDF or XPS format.
- **Symantec revealed its plans to boost its consumer sales in China, a market it earlier avoided because of what it perceived as rampant piracy in the world's fourth-biggest economy.** With the company aiming to see the number of its clients rise, Symantec said it has plans to raise sales to China's consumers but did not disclose any details about the amount it would be spending. According to Business Software Alliance and IDC Holdings, software makers incurred losses totaling US\$34 billion worldwide last year because of piracy. The report also mentioned that China's software piracy rate went down by 4 percent from a year earlier to 86 percent last year. The country had the fourth highest piracy rate in the world. The Asia-Pacific business region, which includes Australia and Japan, accounted for 13 per cent of Symantec's sales in the quarter. Total sales from the region climbed by 9 percent from a year earlier, compared with a 3 percent rise for Europe, the Middle East and Africa, and a 2 per cent

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decline for the US, Canada, and Latin America. The company said it plans to continue investment in its enterprises security business in China, projecting a launching of a new product in two to three months.

- **AOL announced that it is releasing free software that will enable users automatically check whether they have the latest security protection on their Windows computer.** The software is called the Active Security Monitor software and is part of AOL's expansion into security services. The company said it will soon announce its own for-pay security suite, a move that will bring it in competition with products from Microsoft, Symantec, and McAfee, among other firms. AOL said it is also working on a module of third-party security tools for Internet users.

Hardware

- **Apple Computer revealed its filing of another countersuit, its second, against Singapore-based Creative Technology of Singapore.** The latest lawsuit from Apple alleged that Creative was infringing on three of its patents involving the display of computer data, the editing of mobile data on a PC and the use of computer icons. The day Apple filed the suit, Creative also sued Apple for alleged patent violations and filed a complaint with a US trade agency seeking to halt iPod sales. The Singapore firm said that Apple was infringing on its patent it dubbed the "Zen patent," named after one of its portable media players. Creative said the company had expected Apple's action but said it had allocated the appropriate resources to defend against Apple's lawsuits while vigorously protecting Creative's intellectual property rights."
- **IBM announced that it would increase by three-fold its investments in India to US\$6 billion over the next three years, with the investment to be set aside to set up service delivery centers in Bangalore, the country's technology hub, and create a telecommunications research and innovation center for IBM clients around the world.** The move of IBM is seen as making India a cornerstone in the global network of the world's largest computer services company. In the past three years, IBM has invested some US\$2 billion in India. The company said the expansion in India has helped the company cut costs by way of low labor expenses. The country has also been the source of revenues for IBM.

Telecommunications

- **Nortel Networks reported for the quarter to March a net loss of US\$167 million, compared to a loss of US\$104 million in the year before.** The company explained that the loss was brought about by higher expenses and slightly lower sales, even as it looks to growth in revenue this year. Nortel said its selling, general and administrative expenses totaled US\$595 million, including US\$43 million to improve internal controls, up from US\$578 million in the year-earlier period. Nortel had to restate some previously reported financial results to fix errors related to how it accounted for revenue. Its R&D costs were reported as posting a slight increase to US\$478 million from US\$474 million in 2005. The company stated in May that it expected flat or slightly lower revenue and a slightly wider loss compared with the year earlier period.

Europe

Media, Entertainment and Gaming

- **The Times newspaper announced its plan to deploy an Internet television service in a bid to increase its online audience.** The media firm said third-party providers would initially supply news clips for the new service, Times TV. The names of the providers were not revealed but observers name Reuters, the British news, and financial information group. The Times said it was not clear if BSKyB,

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the broadcaster that is 38-percent owned by News Corp, parent company of The Times, would supply clips when the service is launched. Times Online generated 59.9 million page impressions in May.

Internet

- **French technology provider Alcatel announced that it has entered an agreement that would enable it to provide access, aggregation and optical networking products and services to Telefonica España.** This would allow the Spanish telecom to offer high bandwidth interactive services to its residential and corporate subscribers. The integrated suite of products and services will enable the simultaneous delivery of personalized multimedia services such as IPTV, video on demand and HDTV to residential customers and advanced virtual private network services for its corporate customers. Under the deal, Alcatel will also provide Telefónica with the 7450 Ethernet Service Switch in the aggregation network to enable the telecom to offer corporate access services and virtual private networks on a national level.
- **Citel, which designs, develops and markets a range of Voice over Internet Protocol (VoIP) solutions for the business telephony market, announced its aim to raise 10 million pounds (US\$18 million).** Citel's products enable enterprises to migrate their telephone systems from the traditional voice network to an IP-based data network, without replacing existing handsets and wiring infrastructure, thereby enabling enterprises to obtain the benefits of VoIP at significantly lower levels of capital expenditure compared to other solutions. Sprint Nextel Corporation, the third largest telecommunications carrier in North America, signed a contract with Citel in March 2006, which will involve Sprint offering Citel's Handset Gateway product to end-users as part of its VoIP service. The Company expects to enter into further supply agreements with a number of major telecom carriers, similar to the Sprint contract, as these carriers continue to roll out their hosted VoIP services. Citel has also established contractual relationships with several top-tier telephony equipment distributors. The company announced a 265 percent increase in its revenue to 4 million pounds (US\$7.3 million) for the year ended 31 March 2006, against the previous year.

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