

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



Week of 8 - 14 May 2005

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International

Hardware

Stronger demand is causing the leveling off of the sharp decline in prices of LCD. Reports show LCD panel manufacturers raising prices of core products used in personal computers for April shipments, which is the second straight month exhibiting increases. Prices of LCD panels for PCs have went down 40-50 percent since last summer because of production increase in South Korea and Taiwan. Another factor contributing to the slump was the fewer purchases by PC monitor manufacturers. PC monitor producers were observed since spring to be switching to LCD panels from cathode-ray tubes, which pushed demand for LCD panels more sharply than expected, according to a South Korean panel maker. Given the situation, many LCD panel makers now forecast full-fledged earnings recovery for the July-September period, as demand during this time picks up. Monitor makers are also predicting a stabilization of sales prices of monitors around that time.

Japan

Internet

- **KDDI Corp. announced that it would launch a free web log, also known as blog, service for its au mobile phone customers.** Known as Duoblog, the service will enable users to write and edit blogs from mobile phones. Clients using Duoblog will be able to post pictures. Inputting and browsing through a personal computer will also be possible using the service. KDDI said it will revamp its mobile phone portal site toward the end of June and will offer blogs classified according to music and food categories.
- **TYO Productions Inc., a TV commercial producer, said it bought a 15 percent stake in Unit9, a London-based Internet advertising production firm for an estimated 15 million yen (US\$140,000).** The move of the company is seen as the beginning of an expansion into European and Asian markets through equity tie-ups with local firms. Unit9 creates ads and other image content for web sites and earns about 6 million yen (US\$56,000) in annual pretax profit on about 300 million yen (US\$2.7 million) in sales. According to the announcement, the two companies have been in close business ties since they jointly produced a short movie in 2003.
- **General Solutions Inc., a firm that provides services to companies in their investor relations activities, said it has launched a service that send business results and other information announced by listed companies to investors in their cellular phones.** The company opened a web site called Mobile IR, which is the first mobile phone site for IR information. The site is offering first information on 142 companies with viewers needing to register in advance to receive the data.
- **Softbank disclosed a group net loss of 59.8 billion yen (US\$557 million) for the year ended March 31, which is the company's fourth straight year of loss for the company on a consolidated basis.** Its sales climbed 60 percent to 837 billion yen (US\$7.7 billion) even as the fixed-line operations continued to suffer losses at 36 billion yen (US\$335.2 million). The group operating loss was 25.3 billion yen (US\$235.6 million) while the broadband infrastructure segment, which covers ADSL operations, had a loss of 53.7 billion yen (US\$500.1 million). In addition to the effect of a large-scale acquisition of firms like Japan Telecom Co., the report said Softbank benefited from a stock market upswing that pushed its revenue from financial businesses by 93 percent.

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- **Cyber Agent Ltd., an Internet advertising agent, and istyle Inc., a firm that operates a web site devoted to cosmetics, announced that they would form a joint venture in July to promote online marketing for cosmetics makers.** Cyber Agent is expected to buy istyle shares valued at almost 500 million yen (US\$4.6 million), which will make it the third-largest shareholder with an 8 percent interest. The istyle web site is called @cosme and puts out ads placed by cosmetics companies. The new company that will be formed will handle marketing work related to @cosme and another site for women run by Cyber Agent. The @cosme site, with its cell phone version registers more than 100 million hits a month.

Mobile/Wireless

- **NTT DoCoMo announced a 29 percent decline in its consolidated operating profit to 784.1 billion yen (US\$7.3 billion) for the year ended March 31.** Marking the first decline since it went public in 1998, the company's group sales went down 4 percent to 4.8 trillion yen (US\$44.7 billion). To entice its customers to stay, DoCoMo offered a number of discounts in the form of family plans and flat-rate data communications charges. Its net profit climbed a record 747.5 billion yen (US\$6.9 billion), a result that the company is attributing to profit derived from sale of AT&T Wireless Services Inc. shares. In a separate announcement, the company disclosed that it would set up a venture capital firm in California to invest in start-ups with advanced wireless communications and handset technologies. The new wholly owned subsidiary with location in San Jose would have a capitalization of US\$21 million.
- **Vodafone KK announced that its shares are going to be delisted from the Tokyo Stock Exchange and the Osaka Securities Exchange.** Vodafone Group Plc owns 97.6 percent stake in the Japanese subsidiary as of the end of last fiscal year ended in March. The company has already submitted the securities report. Following this submission, the company will be placed in a post for stocks to be delisted, after which it will be delisted after a period of one month. Vodafone KK said it has no plans at the moment to purchase its shares.

Media, Entertainment and Gaming

- **Bandai Co. said that its group net profit declined 21 percent to 11.2 billion yen (US\$104.3 million) from 14.2 billion yen (US\$132.5 million) a year earlier.** Group sales for the company behind the "Power Rangers" action figures and the "Tamagochi" virtual pet, went up 2.6 percent to 269.9 billion yen (US\$2.5 billion) from 263.1 billion yen (US\$2.4 billion) a year ago. Bandai explained the figures to its decision to create one of Japan's largest toy-game business groups by buying Namco Ltd, which is the developer of "PacMan" and other arcade games. The combined sales of Bandai and Namco, which totaled 458 billion yen (US\$4.2 billion) for the year ended March makes the company No. 2 in Japan's toy and game industry, coming after Sega Sammy Holdings Inc.
- **Credit Saison and Mitsubishi Corp. announced their plan to work together in direct marketing operations.** Under the agreement, Credit Saison will transfer catalog direct marketing operations of its subsidiary Saison Direct Marketing Co. to Digital Direct Corp., the TV direct marketing subsidiary of Mitsubishi, with Credit Saison obtaining a 20 percent stake in Digital Direct by means of private placement. The private placement will give Mitsubishi 66.2 percent stake in Digital Direct; Credit Saison will have a 20 percent share, while mobile phone content distributor Index Corp will have an 8.1 percent interest. Digital Direct is developing TV direct marketing programs with about 40 TV stations nationwide, with sales in the year ended Feb. 28 hitting 3.3 billion yen (US\$30.7 million). Saison Direct

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Marketing posted sales of around 8 billion yen (US\$74.5 million) that same fiscal year. Digital Direct has plans to develop operations focused on the Internet and mobile phones.

Hardware

- **Sony Corp. and Toshiba are presently in negotiations over the development of a unified standard for the next-generation DVDs.** The two firms are discussing a format that would use Toshiba's software technology with Sony's disc structure. At present, the Blu-ray Disc format proposed by Sony and Matsushita Electric Co. is not compatible with the Toshiba-supported HD DVD standard. The three firms are said to be in talks that will lead to a common standard, the detailed plan of which could be finalized within the week.
- **Able Ltd. said it has developed a read-only transparent DVD on which two-sided printing is possible.** The company sees applications of the 5-gigabyte capacity disc in magazine bonus discs and corporate advertising materials. Able plans to use the disc in subcontracted DVD production that has designs based on the data from client firms. With the disc, both offset and silk-screen printing are possible.

Semiconductors

- **Nippon Valqua Industries Ltd. said it plans to invest some 1 billion yen (US\$9.3 million) at its two subsidiaries in Shanghai with the aim of adding space and boosting production in 2006.** The move is a response to the growing demand in China from makers of semiconductor manufacturing equipment and automobiles. The company plans to transform its Shanghai operations into export bases. Shanghai Valqua Fluorocarbon Products will begin making value-added fluororesin materials for makers of semiconductor manufacturing equipment in China.

Korea

Telecommunications

- **Korea's leading integrated telecommunications company hanarotelecom incorporated posted revenues of 357.9 billion won (US\$357.6 million) and operating profit of 15.3 billion won (US\$15.2 million).** The company said it had revenue growth of 2.5 percent from the same period of last year, a performance boosted by growth in the voice business. It plans to sustain growth of its broadband business by expanding its networks and investing in upgraded services like its hanafos Fiber LAN (fiber optic LAN). hanarotelecom is also adding FNP (Fixed-Line Number Portability) subscribers by introducing various pricing schemes.

Internet

- **The state-funded Migrant Workers Support Center announced the launching of MNTV, the first-ever Internet broadcasting service in the country.** The MNTV aims to show programs that may help the migrant workers to cope with life in Korean society. The center said the MNTV would provide news contents from the countries of migrants as well as Korea's news. Part of the services is the various cultural contents such as movies and music from their own countries. MNTV plans to air programs that will feature counselor and legal experts give consulting service to migrant workers. The contents will be given in Korean, English and Chinese languages, with plans to widen the service to other languages of the countries whose migrants are in Korea,

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China

Internet

- **Microsoft said it would form two new ventures for its MSN Internet service in China, making it the latest player to expand in the crowded Chinese market.** Currently, the company already offers such services as Hotmail and Messenger services in Chinese. Under the new joint venture, the company will offer more communication, information and content beginning. Microsoft said it would acquire assets from Chinese mobile phone software provider TSSX in order that it could offer MSN-based services to China's 340 million mobile phone users.
- **Google Inc. disclosed that it has won a license to operate in China, and has acquired a web address.** A source said the web services giant plans to open an office in the country this year, with Shanghai as the most feasible location. Google has not confirmed the report Google acquired a small stake in Baidu.com, China's leading search engine, now in the process of getting a listing overseas. China's online search market has been valued at an estimated 1.2 billion yuan (US\$150 million) last year, an 81 percent increase from 2003, according to Shanghai iResearch. Competition remains very intense.
- **China's State Administration of Radio, Film and Television (SARFT) said it has issued Shanghai Media Group (SMG), an entertainment conglomerate, the country's first license for television broadcasts via the Internet.** With the license, SMG has now the right to broadcast programs on the Internet and by way of mobile phone networks. SMG said it has set up two subsidiaries to handle the new lines of business, which are now considered strategically important as the growth of conventional television networks levels off. The development also puts SMG ahead of Beijing-based state network China Central Television in making the transition to the new medium.
- **3G Dynasty, Inc. (3G), a subsidiary of Telecom Communications, Inc., announced that it has services now that will allow its registered members to build personalized homepages on WAP.** As the host and content provider, 3G will be publishing a daily Real Simple Syndications feed of its original content from a number of its contracted web sites. The sites will include local information, lifestyle and infotainment content. The Real Simple Syndication Feeds will enable users to receive 3Gs daily content automatically, which would broaden 3G's distribution and provide additional platform for mobile phone users.
- **51Job posted US\$17.2 million for its first-quarter revenue, a figure that represents an increase of 18.6 percent over US\$14.5 million in the fourth quarter.** The company's net income went down 26.6 percent quarter on quarter to US\$1.1 million. For the first quarter, its revenue in print advertising was US\$11.3 million.
- **Online gaming was one of the big news when The9's World of Warcraft reached a record 500,000 concurrent players during its open beta testing.** The9 said it would launch World of Warcraft on a commercial basis this summer. In a separate report, mainland online gaming company Netease's Fantasy Westward, which is considered the largest game in the mainland in terms of peak concurrent players, registered 675,000 concurrent players during the holidays.

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Media, Gaming and Entertainment

- **G7 Group, a division of Xinhua Finance, announced the launching of the Xinhua G7 China Service, which is aimed at responding to the growing demand for credible, forward-looking analysis of China.** The new China Service will include macro and sector specific analysis of China's markets and regulatory environment and will integrate input from Shanghai, Beijing and Washington. The service will have fiscal and monetary policy, politics, agricultural commodities and various sectors. A significant advantage of the G7 China Service is the access to a series of events called the G7 Policy Maker Forum series, where G7 clients are invited to participate in a meeting and discuss things with G7 advisors, analysts, and policy makers. The discussion groups are small and the contents of the meeting are off the record.
- **Ming Pao Enterprise Corp., publisher of Ming Pao Daily News announced its application to be separate and be listed as a Chinese media group.** The move is said to be its response to the popularity of the lifestyle market. The firm said its application to list 60-percent owned One Media Group (OMG) was already submitted to the stock exchange. The company said the spin off has to be approved still by the shareholders before the OMG shares would be issued. At present, details of the share offer have yet to be decided but, in the meantime, the current Ming Pao shareholders could subscribe for the new OMG shares

Mobile/Wireless

- **TechFaith, one of China's largest handset designers, announced that it raised US\$141 million in an initial public offering of American depositary shares on the NASDAQ.** The company posted revenue of US\$46.4 million and income of US\$18.2 million in the previous year. Techfaith designs handsets for firms, which include NEC, Lenovo, Alcatel and UTStarcom. It is working with Qualcomm on CDMA product development.
- **Sierra Wireless, Inc. and Guangdong Iscreate Technology Co. Ltd. announced that the Sierra Wireless Aircard wireless area network card is now available from Guangdong Mobile Communications Corporation (GMCC) for use on the company's launched EDGE network.** The service connects more than 18 million customers in cities in the Guangdong province.

Information Technology

- **Comtech Group Inc. announced an 11.8 percent increase in its revenue for the quarter to US\$20.8 million, compared to the US\$18.6 million reported for the first quarter last year.** The figure reflects an increase in revenues contributed by its installed customer base in China. All markets including wireless, broadband and digital consumer electronics contributed to results with performance indicating revenue growth. The company reported net income of US\$1.9 million, compared to net income of US\$2.3 million in the first quarter of 2004. Comtech Group is a provider of customized design solutions in China and serves as gateway to leading electronics manufacturers in the country.

Ventures/Investment

- **Suntech Power said it has raised US\$80 million from venture capitalists, which is the company's final fund-raising round before an overseas initial public offer.** Interest in solar energy has risen hand in hand with oil prices. The government is encouraging the development of renewable energy technologies in order to meet the growing demand from outside and also to answer the massive

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need for electricity at home. There is also a great concern for pollution due to mainland's heavy alliance on fossil fuels. Japan dominated the solar-panel market, taking 48 percent of production. Suntech claims to be the 10th-largest supplier of solar cells in the world.

Taiwan

Semiconductors

- **Taiwan Semiconductor Manufacturing Co (TSMC) posted a 7.3 percent growth in sales to NT\$18.9 billion (US\$604.1 million) from NT\$17.6 billion (US\$562.5 million) in March.** The world's leading foundry for custom made chips reported that sales in the four months to April went down from NT\$78.1 billion (US\$2.4 billion) a year earlier to NT\$74.5 billion (US\$2.3 billion) In a separate report, its rival United Microelectronics disclosed sales falling to NT\$6.3 billion (US\$201.3 million) in April from NT\$7 billion (US\$223.7 million) in March. Its sales in the four months to April declined to NT\$26.6 billion (US\$850.2 million) from NT\$34.5 billion (US\$1.1 billion) previously.

Hong Kong

Hardware

- **Truly International Holdings said it would spend more than HK\$500 million (US\$64.1 million) over the next three years in order to increase its production capacity.** Part of the plan is the spending of HK\$200 million (US\$25.6 million) on a production line for color super-twist nematic (CSTN) panels, which is expected to double the company's output capacity for the next month. CSTN panels, which are used mostly in cell phone, compose Truly's first-quarter turnover. The company indicated that, by 2007, Truly's annual CSTN panel production capacity would climb to 114 million units from the some 20 million at present. Truly supplies CSTN panels mostly to telephone makers in the mainland such as TCL and Ningbo Bird and their South Korean units.

Internet

- **Tom Online announced a 12 percent increase in its net income for the first quarter to US\$9.2 million from US\$8.2 million in the fourth quarter.** The company posted a first-quarter revenue of US\$35.3 million, a 2 percent increase over US\$34.5 million in the fourth quarter. Accounting for 95 percent of the revenue, the company's wireless value-added services revenue was US\$33.4 million, a 5 percent increase. For its online advertising revenue, Tom Online posted US\$1.6 million in the first quarter. Revenue from short-messaging services was a 13 percent increase to US\$12.6 million. In another report, Tom Online and Sony Ericsson China announced the launch of music downloading service PlayNow, which would allow users to download MP3s to their phones.

Telecommunications

- **PCCW Ltd said it registered a loss of HK\$15.7 billion (US\$2 billion) for 2004, a figure that is based on U.S. accounting standards, compared to the Hong Kong accounting standards-based profit of HK\$1.6 billion (US\$205.1 million).** Under U.S. rules, PCCW was asked to book HK\$13.2 billion (US\$1.6 billion) in losses from writing down so-called goodwill. The company did not define

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goodwill or how it was gained. Goodwill, an intangible asset, which usually comes up during mergers or acquisitions, are not required to be written down under Hong Kong accounting standards.

Singapore/Malaysia/Philippines/Indonesia

Internet

- **Pacific Internet Limited, Asia Pacific's largest telco-independent Internet Communications Service Provider in terms of geographical coverage, announced a 14.1 percent increase in its net income to US\$1.1 million from the previous year.** The company posted revenues in the first quarter of US\$24.9 million compared to US\$25.5 million a year ago. Its broadband revenue showed a growth of 7.8 percent to US\$12.5 million, with the company ascribing the growth to corporate broadband business, which experienced a 17.4 percent increase compared to last year. Corporate broadband business with its US\$8.3 million contribution made up 66.5 percent of total broadband revenue. The company's first-quarter net income was US\$1.1 million, a figure representing a 14.1 percent increase on US\$0.9 million. PacNet sees the upward trend in broadband as continuing especially among small-and-medium sized business.

Information Technology

- **Singapore Computer Systems Limited (SCS), a leading information and communications service provider in the Asia-Pacific region, said it has boosted its security-consulting portfolio with the Cisco Systems lifecycle services approach.** According to the report, SCS is the first company in Singapore to benefit from this system coming from the Cisco Partner Business Consulting (PBC) Program. The program is a process where Cisco's services experts assist partners and enable them to have capabilities through documented best practices, which are in turn based on metrics that measure business success.

United States/Canada

Internet

- **Sabre Holdings has agreed to acquire the British company Lastminute.com for US\$1 billion.** Industry observers are saying that there is still a chance of a counterbid from rival U.S. groups IAC/InteractiveCorp, to which the Expedia travel website belongs, or Cendant Corp., which agreed to acquire Britain's Ebookers last year. Sabre revealed that acquisition of Lastminute would boost its negotiating capacity with global airline and hotel companies, which would enable the company to provide better offers and deals to the customers. Analysts are saying that if the deal with Sabre falls through, Lastminute would face strong competition from airline web sites and it would be wise for investors to sell their shares.
- **E-Trade Financial offered US\$6 billion for its rival Ameritrade even as Ameritrade declared it was not for sale.** E-Trade on the one hand said the offer would give Ameritrade shareholders 47.5 percent of the combined company together with US\$1.5 billion in cash. E-trade said savings from the deal would amount to US\$650 million. Analysts had been predicting mergers in the discount brokerage sector because of factors like weak trading volumes and intense competitions that result to low commissions. An Ameritrade official, over and above the denial that it is for sale, said it is not ruling

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out the company's search for strategic opportunities, in the future especially if they increase shareholder value and bring benefit to firm's clients.

Media, Entertainment and Gaming

- **Warner Music Group Corp. is attracting customers with a US\$750 million initial public offering, more than a year after Time Warner sold its music company to a group of private equity partners.** The company, like Universal Music, Sony BMG and EMI Group, is trying to recover from several years of declining sales brought about by CD piracy, illegal online downloads and competition posed by video games and DVD. Warner Music is experiencing a surge when it posted a fourth-quarter profit of US\$36 million although its revenue fell 7.6 percent to US\$1 billion compared with a year earlier. The company has filed for a 32.6 million share IPO. Goldman Sachs and Morgan Stanley are the lead underwriters.
- **Sorrent, Inc., a leading creator and global publisher of mobile entertainment, said it has raised US\$20 million in Series D financing led by venture capital firm Granite Global Ventures.** The company intends to use the funding for its global expansion and extension of its portfolio from games to mobile entertainment. Sorrent recently released two mobile games and content suites based on the films Robots and Kingdom of Heaven. The company has also recently completed the acquisition and integration of leading European mobile publisher Macrospace.
- **Microsoft Corp announced its new product that industry watchers say the company is using to compete with Sony Corp. in the video game console market.** Capable of high-definition graphics, the Microsoft Xbox is seen by many as the software giant's most important product as it costs the company US\$1 billion every year since 2001. In its latest bid to be the leading figure in the market, Microsoft has utilized U.S. and Japanese firms to design a machine .

Hardware

- **Dell posted a 28 percent growth in its first-quarter profit from a year earlier, with the company attributing the growth to increasing sales in Europe and Asia and strong demand for mobile PCs and other new products.** The company's profits for the quarter to April went up to US\$934 million from US\$731 million a year earlier. Its revenues went up 16 percent to US\$13.4 billion from US\$11.5 billion. Dell said non-U.S. sales were a major contributor and its revenues for storage systems had more than 60 percent growth year on year. Revenue from software and peripherals rose 37 percent. Sales of mobility products went up by 20 percent; shipments of notebooks increased 39 percent.

Information Technology

- **Avaya, a U.S.-based communications systems provider for businesses, said it is seeking for growth in overseas markets in Asia as domestic revenue suffers a slump.** The company has identified opportunities in customer contact centers, which are seen as a growth area in the region as corporations outsource their operations to Asia. In the three months to March, the company's U.S. revenue went down 9.3 percent to US\$689 million. International revenue, however, surged 117 percent to US\$533 million. Asia had a contribution of US\$89 million, a 50.8 percent increase from the same period last year. In its search for expansion, Avaya has an advantage as many of the contact centers being set up in Asia are based on Internet protocol telephony. An official said the market for the business communications software is valued at US\$30 billion next year. With call centers considered as

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the domain of India and the Philippines, Avaya disclosed its interest in opportunities available in the mainland market.

Europe

Internet

- **T-Online International AG, Europe's largest Internet access provider, registered a 22 percent decrease in its first-quarter profit, with its net income falling to US\$78 million from US\$100.2 million, in the year-ago period.** The company said its sales climbed to US\$643.2 million from US\$618 million. T-Online is investing about US\$1.2 billion in France and Spain over the three years in order to meet the growing demand for web services. The company, which also provides more than half of Germany's broadband Internet connections, said it has an additional 295,000 broadband access lines in the country during the first quarter. Germany has a lower penetration ratio than countries such as the Netherlands and Switzerland, according to U.K.-based researcher Point Topic Ltd. T-Online has forecast the German market will more than triple to 10 billion euros (US\$12.6 billion) in 2010.

Media, Gaming and Entertainment

- **Bertelsmann said it was acquiring the New-York-based DVD and music club Columbia House.** The U.S. firm said is 85 percent owned by Blackstone Group, with Sony and Time Warner each holding 15 percent stakes. With no information about the terms of deal, industry analysts said that the deal could be worth about US\$400 million. Columbia House has about 8 million members in the U.S., Mexico and Canada. It sells music online and through the mail. Bertelsmann covers nearly all types of media with its presence in publishing, music sales and broadcasting operations in about 60 countries. Bertelsman has a 50 percent stake in Sony BMG Music Entertainment, 75 percent stake in Gruner + Jahr, a publishing group, and 90 percent of broadcaster RTL.

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