

# IRG WMR



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

***Week of 23 October - 29 October 2005***

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Equity Market Indicators					
Index	Closing Level (10/28/2005)	% Change 1 Week Ago	% Change 1/1/2005	% Change 1/1/2004	% Change 2004 Low
S&P 500	1,198.41	1.6%	-1.1%	7.8%	12.7%
Dow Jones Industrial Avg.	10,402.80	1.8%	-3.5%	-0.5%	6.7%
Dow Jones Tech. Index	343.79	-0.7%	-3.3%	-1.2%	19.0%
Dow Jones Telecom. Index	201.75	1.2%	-7.4%	8.8%	15.1%
NASDAQ Composite	2,089.88	0.4%	-3.9%	4.3%	19.3%
The Street.com Net	202.81	0.7%	-2.6%	32.5%	37.8%
Japan Nikkei 225	13,346.54	1.1%	16.2%	25.0%	28.8%
Japan TOPIX	1,419.84	2.5%	23.5%	36.0%	38.8%
Korea KOSPI Composite	1,140.72	-3.6%	27.3%	40.7%	58.5%
Korea Kosdaq	580.92	-0.6%	52.7%	29.5%	78.9%
Taiwan Stock Exchange	5,632.97	-1.8%	-8.3%	-4.4%	5.9%
Singapore Straits Times	2,192.41	-2.1%	6.1%	24.2%	28.9%
Hong Kong Hang Seng	14,215.83	-1.9%	-0.1%	13.0%	29.6%
Hong Kong GEM	938.88	-2.3%	-5.0%	-20.8%	-2.7%
China Shanghai (A-Share)	1,136.27	-5.3%	-14.6%	-27.6%	-14.1%
China Shenzhen (A-Share)	273.66	-6.3%	-16.7%	-30.4%	-16.6%
China Shanghai (B-Share)	59.36	-7.3%	-21.5%	-43.4%	-21.5%
China Shenzhen (B-Share)	186.53	-8.6%	-15.1%	-31.4%	-12.0%

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## Technology, Media, Telecommunications and Life Sciences Market Activity

### NASDAQ/NYSE TMT and Life Sciences IPO Filings

Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
10/24/05	Vimicro International Co [VIMC.US] (NASDAQ)	Semiconductors	US\$100	Makes audio and video signal processing chips that enable multimedia communications and applications	Morgan Stanley	Merrill Lynch/Needham/Piper Jaffray
10/24/05	Actions Semiconductor Co., Ltd. [ACTS.US] (NASDAQ)	Semiconductors	US\$225	Provides system-on-a-chip solutions for the development and manufacture of personal media or MP3 players	CSFB	NA
10/25/05	Incredimail Ltd. [MAIL.US] (NASDAQ)	Software	US\$20	Provides an advanced, feature-rich email program that offers a unique and safe interactive experience free of charge	Maxim	NA

### NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing

IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 10/28/05	% Change From Offer
10/26/05	Nxstage Medical Inc. [NXTM.US] (NASDAQ)	Develops, manufactures and markets systems for the treatment of end-stage renal disease and acute kidney failure	US\$55	US\$10.00	US\$11.10	11.0%
10/26/05	Mathstar Inc. [MATH.US] (NASDAQ)	Creates and commercializes a new digital signal processing language and related hardware	US\$24	US\$6.00	US\$6.10	1.7%
10/27/05	Electro-Optical Sciences Inc. [MELA.US] (NASDAQ)	A medical device company focused on the design and development of a non-invasive, point of care instrument to assist in the early diagnosis of melanoma	US\$20	US\$5.00	US\$7.71	54.2%
10/27/05	Accentia Biopharmaceuticals Inc. [ABPI.US] (NASDAQ)	Develops and commercializes late stage clinical products in the therapeutic areas of respiratory disease and oncology	US\$19.2	US\$8.00	US\$7.25	-9.3%

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Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 10/28/05	% Change From Offer
10/25/05	Seoulin Bioscience Co., Ltd. [038070.KS] (KOSDAQ)	Develops and provides biotechnology related products	US\$10.7	KRW 10,000	KRW 16,200	62.0%
10/25/05	MNC Wireless Berhad [MNCW.MK] (KLSE)	Develops mobile technology solutions and provides content for mobile service portals	US\$2.0	MYR 0.48	MYR 0.39	-18.8%
10/25/05	Inventec Appliances Corp. [3367.TT] (TSE)	Develops and manufactures communication and digital products	US\$70.7	NT\$108	NT\$124.5	15.3%
10/26/05	Ntegrator International Ltd [NTEG.SP] (SGX)	A network infrastructure integration and voice communication systems specialist	US\$2.8	S\$0.23	S\$0.19	-19.6%
10/26/05	Cathrx Ltd. [CXD.AU] (ASE)	A specialist medical devices company	US\$10.5	A\$1.0	A\$1.4	41.0%
10/27/05	Sungil Telecom Co., Ltd. [068630.KS] (KOSDAQ)	Develops and manufactures telecommunication equipment parts	US\$6.4	KRW 3,600	KRW 3,950	9.7%
10/28/05	Tradelink Electronic Commerce Ltd. [536.HK] (HKSE)	Provides trade related electronic services for both Hong Kong and international business communities	US\$37.4	HK\$1.25	HK\$1.34	7.2%
10/28/05	Infracore Inc. [041020.KS] (KOSDAQ)	Develops and markets embedded browser and Internet solutions for supporting wireless mobile Internet service	US\$15.3	KRW 7,300	KRW 11,250	54.1%

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Asian Markets: TMT and Life Sciences Convertibles						
Issuance Date	Issuer [Equity Ticker]	Description of Issuer	Maturity Date	Size (US\$MM)	Per US\$10,000 converts to	Convertible Until
10/25/05	Gaeasoft Corp. [051160.KS]	Designs, develops, produces and markets mobile Internet solutions, platforms and services	10/27/08	US\$6	959	10/13/08
10/26/05	Catcher Technology Co., Ltd. [2474.TT]	Manufactures aluminum and magnesium die casting products which used in cell phone and notebook computers	10/28/10	US\$80	1,560	10/18/10
10/27/05	Wooyoung Co., Ltd. [012460.KS]	Produces back light units used in LCD products	10/31/09	US\$5	4,427	9/30/09

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## Weekly Highlights

### International

#### *Hardware*

- **Several companies are banding together to develop programs that would enable big businesses to uniformly manage their vast data storage set-up.** Led by IBM, the companies are forming a group known as Aperi that intends to push the “open source” idea in computing. The group aims to work on the freeing up of the bottlenecks that can happen when a business has bought tape and disks-storage systems from a variety of vendors. The result can be sometimes incompatibility brought about by storage vendor supplying its own data-management software. Aperi includes leading firms like Cisco Systems, Sun Microsystems, Computer Associates International, Brocade Communications System, Network Appliance, McData, Fujitsu and Engenio Information Technologies. The list of companies not part of the group includes EMC, Hewlett-Packard and Symantec.

### Japan

#### *Internet*

- **Rakuten disclosed that it has upped its stake in TBS to more than 19 percent, a move that is seen as a keeping the pressure on TBS to accept its merger proposal.** Rakuten had earlier proposed a setting up of a single parent company for the two firms to combine their strengths in traditional and new media. TBS also received a management buyout proposal from one of its investors by way of investment fund operated by Murakami, a former trade ministry bureaucrat. TBS is reported to be studying cautiously both proposals.
- **Monex Beans Holdings Inc. and Matsui Securities Co, both online brokers, announced record-high group pretax profits for the first fiscal half ended Sept. 30.** The two firms attributed the results to stock rally between July and September as well as increases in interest income as a result of built-up margin trading. Monex Beans said its pretax profit posted a 115.7 percent increase to 8.5 billion yen (US\$73.5 million). The company said it will change the name of core brokerage unit Monex Beans Inc. to Monex Inc. Matsui Securities registered an 18.6 percent growth of its operating profit to 22.4 billion yen (US\$193.7 million) on the year. The firm said its pretax profit climbed 17.7 percent to 14 billion yen (US\$121.1 million).
- **Excite Japan Co. disclosed its plans to enter the online game business in Asia.** The company said it plans to spend about 50 million yen (US\$432,500) to buy a stake of around 30 percent in Prima Intergame, a Malaysian company that is the exclusive supplier of foreign online game software to Chinese online game company Guangdong Digital Communication Network (GDCN), a subsidiary of China Telecommunications Corp. Outside of the investment, Excite Japan said it will pay Prima about 100 million yen (US\$865,000) for the acquisition of the right to jointly supply to GDCN a large-scale multi-player role play game developed by a South Korean firm. Given the difficulty for new entrants to make a market entry, Excite sees wisdom in investing in an established company. As a strategy to recover funds, Excite said it would distribute games through new subsidiaries to be set up in Hong Kong and Mainland China.

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## *Mobile/Wireless*

- **The government said it would require mobile phone companies to install global positioning technology in handsets sold from April 2007.** The rule is aimed at aiding police or other authorities in automatically pinpointing the origin of emergency calls. With the legislation, companies will be required to use unified technology, with the Ministry of Internal Affairs and Communications amending related ordinances by the end of the year.
- **Five IT-related venture firms in Ibaraki Prefecture announced the development of a positioning service for users of mobile phones without the GPS functions.** The five firms, which include Helena Media Research Corp and New Forester, are all members of the Tsukuba IT Forum, an organization that combines those from the industry with the academe to promote IT development. The group said they are considering forming a company to manage the service. They said they would also look for partners that will help them spread the service to other parts of Japan.
- **NTT DoCoMo revealed the termination of its capital alliance with KPN Mobile NV, the result of their disagreement over cellular phone services in Germany.** DoCoMo said it has sold its stake in KPN Mobile to the Dutch cell phone service provider's parent for about 680 million yen (US\$5.8 million). Even with the sale, DoCoMo said it has obtained the right to use KPN mobile's patents and Internet access know-how, which DoCoMo considers to be more valuable than the price sale. The company roughly invested 408 billion yen (US\$3.5 billion) in KPN Mobile in 2000, with all the investment written off after the telecom bubble burst in Europe. O2 Plc, a British cell phone firm that tied up with DoCoMo in 2004, has announced that it plans to begin offering a similar service in Germany.

## *Hardware*

- **Sony posted a net profit of 28.5 billion yen (US\$246.2 million) for the second quarter of its financial year, a figure that represents a 46.5 percent decline from a year earlier.** The company said restructuring charges amounting to 32.9 billion yen (US\$284.2 million) contributed to the decline. The company also left its full-year forecast unchanged at a net loss of 10 billion yen (US\$86.4 million). Sony said its group sales were flat at 1.7 trillion yen (US\$14.6 billion) in the second quarter. For the six months to September, Sony posted a net profit of 21.2 billion yen (US\$183.1 million), which is 72 percent down from a year earlier. The group posted a net loss of 7.3 billion yen (US\$63 million) in the first quarter, with observers noting Sony as having fallen behind rivals in the lucrative TV sector. Sony said its operating profit in the three months to September climbed 52 percent to 65.9 billion yen (US\$569.4 million).

## *Semiconductors*

- **Elpida Memory Inc., Japan's only exclusive maker of dynamic random access memory, or DRAM chips, posted a group net loss of 3 billion yen (US\$26 million) for the July-September quarter, compared with its year-earlier profit of 4.2 billion yen (US\$36.3 million).** The company reported a group operating loss of 2.5 billion yen (US\$21.6 million), compared with a year-earlier profit of 5.2 billion yen (US\$45 million). Its group sales posted a 5.2 percent growth to 57.4 billion yen (US\$496.6 million) from 54.6 billion yen (US\$472.3 million). For the year through March 2006, Elpida is projecting a group net profit in a range of 5 billion yen (US\$43.2 million) to 10 billion yen (US\$86.5 million).



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## Korea

### *Internet*

- **The country's Fair Trade Commission stated that it would not terminate its investigation into allegations that Microsoft engaged in unfair trade practices even if the software giant settles for an accord with Daum Communications, the Korean company that first raised the complaint.** In its complaint, Daum alleged that Microsoft violated trade rules by trying its instant messenger software to Windows. Korea can order the separation of bundled software if Microsoft is found to have engaged in unfair trade practices in South Korea. Microsoft officials said they might take the case to court if the commission rules against the company.
- **The Bank of Korea (BOK) said that 30.9 percent of retail banking transactions was done over the Internet in the third quarter, with tellers handling 29.8 percent of transactions.** The report said, on average, the number of transactions processed on the Internet was 11.2 million a day in the third quarter, up 8.2 percent from the previous quarter. The result shows the first time that the number of Internet banking users surpassed that of bank users since the service debuted in July 1999. The BOK said the number of customers who registered for Internet banking services was 25.4 million as of the end of September, a figure that is 11 percent up from the 22.9 million at the end of June.
- **Neowiz announced a 32.5 percent increase in its revenue quarter on quarter to 27.4 billion won (US\$26.1 million), with its operating profit going up 171.5 percent quarter on quarter to 5.1 billion won (US\$4.8 million).** The company, however, posted a recurring loss of 3.7 billion won (US\$3.5 million) and net loss of 4.3 billion won (US\$4.1 million), which the company ascribed to equity method losses from its subsidiary NtixSoft and loss resulting from the write-off of the domestic license for Yogurting. Sales breakdown by division shows web board getting 16.7 billion won (US\$16 million), game publishing 6.5 billion won (US\$6.2 million), Sayclub 2.9 billion won (US\$2.7 million), and ad revenue 1.3 billion won (US\$1.2 million). Neowiz said it is targeting the Chinese online market with its music racing game R2Beat.

### *Mobile/Wireless*

- **SK Earthlink announced the changing of its name to Helio, Inc. a new mobile brand custom built for the young and tech-savvy consumers' market.** The firm is a joint venture between SK Telecom, a wireless carrier, and EarthLink, the country's next-generation ISP. Helio said it is leveraging research and development innovation from SK Telecom to create a pipeline of proven service platforms; systems and applications that the company said will be two or more years ahead of the U.S. market.
- **KT said it is thinking of restructuring its customer relationship management (CRM) systems for its 20 million subscribers, with the aim of improving its services that converges wire/wireless and WiBro services.** KT said that it is drafting the next-generation CRM strategy project with IBM Korea's Business Consulting Services Division. Based on the results of the consulting initiative, KT is going to decide whether or not to install new CRM systems. KT said it is currently working on a consulting project with Accenture for installing the next-generation integrated customer information system.
- **According to a recent survey made by the National Internet Development Agency, 73.1 percent and 42.7 percent of users in ages 20s and 30s showed they are using wireless Internet service, which is a 10.4 percent and 8.5 percent increase from last year, respectively.** Mobile phone users

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in 20s and 30s appeared to use wireless Internet service for 58.1 minutes and 49.4 minutes per week on an average, respectively. This is the longest among time users. As of September this year, the ratio of using wireless Internet service by total mobile phone users went up 2.6 percent to 42.8 percent from the same period of a year ago, with the ratio of men users by 42.7 percent and women users by 42.9 percent. Of the total wireless Internet service users, 96.8 percent, 45.4 percent, 42.1 percent and 37.1 percent are using the service to download ring back tones, listen to music, use education content and e-books, and to play games, respectively.

- **Samsung Electronics said it plans to transform 4G phones into interpreters and portable doctor.** Acting as a simultaneous interpreter, the 4G device is expected to break down communications barriers by providing translation and interpretation functions. In a separate report, Samsung said it is releasing the country's first Bluetooth smart phone, the SCH-M600. The device is a PDA with an internal Bluetooth antenna, which uses the WIPI platform SK Telecom and runs on Microsoft operating system for mobile phones. The phone has software applications such as Word, Excel and Outlook.
- **Eonex Technologies, a South Korean technology start-up, said it has developed a mobile phone with LG Electronics using its homegrown semiconductors for cellular phones.** This development is expected to reduce the market dominance of U.S. wireless chipmaker Qualcomm Inc. whose semiconductors dominate as the core components running on CDMA technology. Qualcomm holds key patents on the CDMA technology and earns some of its profits through royalties collected from handset manufacturers such as Samsung Electronics and LG Electronics. At present, the country's mobile phone makers spend some 3 trillion won (US\$2.8 billion) a year buying chip sets from Qualcomm.

## *Telecommunications*

- **SK Telecom announced a 49 percent rise in its third-quarter profit to 561 billion won (US\$534.6 million) for the July-September period, compared with the 396 billion won (US\$377.4 million) it posted a year ago.** The growth is ascribed by the company to a substantial gain in wireless data revenues. The third-quarter net profit is seen as due also to a 177.5 billion won (US\$169.1 million) gain made after the company sold a 60 percent stake in its handset manufacturing subsidiary SK Teletech Co. to the Pantech Group. Revenue from the data business, which accounts for almost 25 percent of SK Telecom's total revenues, climbed 39 percent to 653 billion won (US\$622.3 million). SK Telecom also disclosed the breakdown in its negotiations with an Indian telecommunications firm, citing differences over terms even as it describes the Indian telecoms market as attractive and full of potentials.

## **China**

### *Internet*

- **Two major fixed-line telecommunications operators in the mainland are formally initiating their IPTV offering as they move from pilot schemes to charging their customers.** China Telecom is said to be charging 60 yuan (US\$7) a month as early as next month for its value-added service; China Network Communications Group Corp (Netcom) has reportedly signed up 30,000 customers in Harbin at between 60 yuan (US\$7) and 80 yuan (US\$10) a month for more than 50 channels. China Telecom said that IPTV trials had expanded to seven provinces from the five announced by its top official, with the company planning to share up to 50 percent of content revenue with its partner Shanghai Media Group (SMG), which remains the country's only IPTV licensee.

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Analysts are saying that IPTV could start contributing to China Telecom earnings three to four years after launch and could be the fixed-line operators's medium-term growth driver after its 3G mobile business. Netcom's IPTV division in Hangzhou said that, unlike China Telecom, its decoders provide interactive and on-demand programming. For its users, a monthly tariff of 24 yuan (US\$3) would give them 63 channels, including satellite channels from other provinces and CCTV.

- **Google announced the hiring of a sales veteran, Johnny Chou, to lead the company's marketing strategy in China, with the task of setting up the sales and business development operations in Greater China.** Chou was coming from UT Starcom where he was president of the company's China operations for nine years. He will be working with Lee Kaifu, a former Microsoft executive and whose task is to establish a Google research center in China. Google said the center is its way to demonstrating its commitment to tap Chinese talent as well as its aim of forming alliances with universities and institutes in the country.
- **Ctrip International, Ltd., a leading hotel accommodations and airline tickets services provider in China, announced that the firm approved a plan to distribute 30 percent of its net profit in 2005.** The move marks the second time that the firm has proposed dividend distribution. Ctrip posted net revenue of US\$16.6 million in the second quarter of 2005, a 33 percent increase quarter over quarter.
- **According to iResearch Consulting Group, online advertising in China maintained its momentum of strong development in the third quarter of 2005.** Online advertising saw an 11.2 percent quarter-on-quarter growth and a 24.9 percent rise over the same period the previous year. The growth in online advertising has been ascribed to the growth in three industries: Internet services, IT products and real estate. The real estate industry spent some 116 million yuan (US\$14.3 million) on online advertising; online ad revenue from Internet services amounted to 114 million yuan (US\$14 million).

## *Media, Entertainment and Gaming*

- **With its new venture, Warner Music Shanghai (WMS), Warner Music becomes the first foreign recording label to establish a majority-owned distribution company on the mainland.** The new venture will give the U.S. music label full control over manufacturing and distribution of compact discs for the first time on the mainland, a move that will end its reliance on local distribution partners. WMS will be 70 percent held by the Warner Music's Hong Kong arm, Warner Music China (HK). Under the CEPA framework, Hong Kong companies are allowed to own up to 70 percent of a mainland music distributor, while foreign entities are allowed only 49 percent. WMS said it would use its own manufacturing facilities. Through one or two national distributors, WMS will sell through a network of about 500 retailers.
- **Square Enix Co., Ltd, a Japanese game developer, said it would launch a brand new online game online called "World of Mana" in the Chinese market.** The move is seen by analysts as an indication that overseas gaming giants are starting to venture into the Chinese online gaming market, which promises to be the largest gaming market in Asia. China's online gaming market is valued at 2.4 billion yuan (US\$296.8 million), a 47.9 percent increase over the previous year. Square Enix established its wholly owned subsidiary Square Enix (China) Co. Ltd. In Beijing in 2005. It specializes in digital interactive entertainment products with interests in China and other Asian countries.

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## *Mobile/Wireless*

- **China demonstrates that, as the world's biggest mobile phone market, it is still growing: at the end of September, it has registered 377 million phone subscribers, according to the Ministry of Information Industry.** The figure means an average of 29 mobile phones for every 100 people, according to government data. The growth corresponds to a 40.2 percent growth in the number of short text messages sent via mobile devices from a year earlier to 218.5 billion. Even as mobile phone users outnumber them, the number of fixed-line telephones went up to 435 million by the end of September, the same report said.
- **China Unicom announced a 7.4 percent decline in its profits for the first nine months of the year from the same period last year, a result it ascribes to a 4.5 billion yuan (US\$556.5 million) amortization expense for subsidizing handsets for its CDMA service.** China's second-largest mobile phone company said net profit for January to September was 3.8 billion yuan (US\$470 million), compared with 4.1 billion yuan (US\$505 million) during the same period last year. The company said its revenues posted an almost 11 percent increase to 65.3 billion yuan (US\$8 billion). As of the end of September, Unicom registered 124 million subscribers.

## *Hardware*

- **Leading personal computer manufacturer HP announced the launching of new production line in Pudong Jinqiao, Shanghai.** The new line is expected to double the firm's production capacity of PCs in China. Through economies of scale, the firm expects is looking to the lowering of PCs manufacturing costs.

## *Semiconductors*

- **Semiconductor Manufacturing International Corp. (SMIC) announced a decline in its net loss for the third quarter to US\$26 million from the US\$40 million in the previous quarter, a performance it ascribes partly to rising prices.** China's biggest manufacturer of made-to-order chips said its revenue for the nine months to September 30 was US\$310 million, compared with US\$274.9 million in third-quarter sales last year. SMIC said sales were pushed up by an increase in average prices to US\$842 per eight-inch wafer by the end of September from US\$807 at the end of June.

## *Telecommunications*

- **China Netcom Group Corp (Hong Kong) announced the approval of its shareholders of a plan to acquire the telecommunications assets of Heilongjian, Jilin, Shanxia and Inner Mongolia from their parent company.** Valued at 12.8 billion yuan (US\$1.5 billion), the deal brings the number of Netcom's franchise areas to 12. China Netcom said it would pay 9.8 billion yuan (US\$1.2 billion) of the total through a five-year loan from the parent firm.

## **Taiwan**

### *Mobile/Wireless*

- **The Taiwan government announced its financial and political support of the development of the WiMAX communications standard in the country.** The country's economics ministry promised NT\$1.1 billion (US\$32.7 million) for WiMAX development projects next year alone. The ministry said at least NT\$7 billion (US\$208.4 million) out of a total NT\$37 billion (US\$1.1 billion) in funding for

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“Mobile Taiwan” (M-Taiwan) project will be earmarked for WiMAX research and development. Initiated at the beginning of the year, the M-Taiwan project is aimed at increasing mobile infrastructure and technology and assisting IT manufacturers get a head start in the development of equipment for export. The government also pledged to facilitate the process of radio spectrum allocation, a crucial step in ensuring WiMAX is allowed to be deployed.

## *Semiconductors*

- **Taiwan Semiconductor Manufacturing Co (TSMC), the world’s biggest contract microchip maker, reported a 12.3 percent decline in its net profit to NT\$24.4 billion (US\$726.7 million) from a year earlier.** The firm said net profit for the nine months to September went down to NT\$59.6 billion (US\$1.7 billion) from NT\$70.1 billion (US\$2 billion) as sales declined from NT\$192.1 billion (US\$5.7 billion) to NT\$183.4 billion (US\$5.4 billion). TSMC said it expects to generate revenue between NT\$77 billion (US\$2.2 billion) and NT\$79 billion (US\$2.3 billion) in the fourth quarter to December.

## *Hardware*

- **Acer announced a 66.6 percent increase in its net profit in the nine months to September, attributing the growth to rising sales in the U.S. and the greater China area.** The Taiwan-based firm said that during the same period, its net profit was NT\$6.3 billion (US\$187.6 million), compared with NT\$3.8 billion (US\$113.1 million) a year earlier. Acer’s sales in the nine months went up 38.8 percent from a year earlier to NT\$213.9 billion (US\$6.3 billion). The company, which is ranked the No.4 PC vendor, projected this year’s net profit at NT\$7.2 billion (US\$214.4 million), on sales of NT\$283.6 billion (US\$8.4 billion).
- **BenQ of Taiwan posted a 53 percent decline in its third-quarter operating loss from the previous quarter to NT\$300 million (US\$9 million), ascribing the result to strong sales of flat-panel monitors, on one hand, and continued declines in its handset business on the other.** The company said its sales growth went up 15 percent to NT\$34 billion (US\$1 billion). Its net profit saw a 98.6 percent decline to NT\$18 million (US\$536,000) from the NT\$1.3 billion (US\$38.7 million) a year ago. BenQ’s gains on foreign exchange helped it achieve non-operating income of NT\$390 million (US\$11.6 million). The company expects mobile phone sales to account for 7 percent of its sales given the acquisition of the handset business of Siemens that will give rise to a merged unit to be called BenQMobile. An official of the merged unit said the merger of the two would yield economies of scale that should turn a profit for the two companies. BenQ manufactures monitors, notebook personal computers, projector and mobile phones.

## **Hong Kong**

### *Internet*

- **Asia Netcom announced its US\$35 million investment on an undersea cable linking South Korea with Qingdao in Shandong province, a move that responds to what the company sees as the end in the Asian bandwidth glut.** The company owns a cable linking Japan, Korea, Taiwan, Hong Kong, the Philippines and Singapore. The 350-km Korea-Qingdao extension would have a capacity of 40 gigabytes and is expected to speed up the Internet traffic between Korea and Beijing by 70 percent. China Netcom said broadband expansion in the mainland next year would be driven by bandwidth-consuming new applications such as IPTV, high-definition television and 3G multimedia services.



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## *Media, Entertainment and Gaming*

- **Sunwah Media Holdings Ltd. and Japanese firms Kadokawa Holdings Inc. announced the establishment of a joint venture to open cinema complexes in the main Chinese cities with an initial investment of HK\$100 million (US\$12.8 million).** Under the agreement, Sunwah will possess 55 percent of the joint venture's equity while Kadokawa will own the rest. The joint venture is looking to building 20 cinema complexes in China within the next three years. Kadokawa has other involvements in publishing general books, comics and multimedia games.

## *Mobile/Wireless*

- **New World acknowledged it was indeed looking into a possible integration of its network with another Hong Kong operator amidst the news Telstra said it was looking at the feasibility of merging CSC with mobile player.** An analyst noted that almost any form of deal is possible, which includes a share swap to form a joint venture, a full acquisition by CSL or a network-sharing agreement. Telstra said it would finalize an internal review of its operations next month. The move by Telstra to merge its Hong Kong-based mobile-phone unit CSL is aimed at halting a slide in its profit. Rumored as possible merger partners include New World Mobile Holdings Ltd, with 1.3 million customers.

## *Information Technology*

- **Octopus Cards announced the revamping of its corporate structure, a move that is seen as preparing the way for its eventual separate listing.** The company has been allowed by its five shareholders to separate its payment and non-payment operations. Octopus said the move would allow the better management of its growing consultancy services overseas, classified as non-payment, while its core payment services would continue to be under the regulation of the Hong Kong Monetary Authority. The corporate restructuring resulted in the formation of a holding company set up between Octopus and its shareholders. Octopus Cards issues the city's most popular smart cards, which is used mainly for paying public transport fares.

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

### *Internet*

- **8 to Infinity, a company that provides a web hosting said it is starting to revamp their current invoicing system, which involves manual printing and posting of invoices and bills, to an online electronic system integrated with their present web hosting solutions.** The switch is expected to be gradual given the number of clients the firm is handling. The new system will be a replica of the current invoices being printed and posted manually. The entire exercise for the conversion is expected to run from about 6 months to a year and will involve not only clients in Singapore but worldwide. The firm provides Singapore, Hong Kong and U.S. web hosting for users globally.

### *Software*

- **Alias announced that its Maya software has been chosen as the major 3D animation technology at Lucasfilm Animation Singapore.** The recently opened animation studio is gearing up to produce digital animated content that includes films and television for consumers worldwide. The choice of Maya software is expected to give the company access to world-leading 3D modeling, animation and visual effects technology as well as draw top animation talents to their facility.

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## United States/Canada

### *Internet*

- **iMesh announced the introduction of new software that allows users to legally share and buy music online, a move that followed after the New York-based firm paid US\$4.1 million to the recording industry in July last year, which settled a copyright infringement suit.** The new service will allow users access to 17 million music files: 15 million of these files will be available for free as copyright holders have not asked iMesh to block them. The remaining two million protected releases will be sold for 99 U.S. cents per song, or a US\$7 monthly fee. Users of iMesh can legally access songs through Gnutella network through which musicians and others post music for free sharing. For many years, peer-to-peer networks have formed simple but illegal ways of sharing music online.
- **The Internet Corporation for Assigned Names and Numbers (ICANN) said it had tentatively agreed to settle a dispute with Verisign, a company that holds significant control over how people find web sites and send e-mail.** The conflict between the two bodies originated from a search service, called Site Finder, launched by Verisign in 2003, which guided Internet users who mistype web addresses. Critics complained that the service gave Verisign a competitive advantage in search. Verisign controls the computers that contain the master list of domain name suffixes, such as “.com” and runs the core directories tasked with the routing of e-mail. Verisign suspended the service upon pressure from ICANN. Verisign would sue ICANN later after it said that the actions had blocked Verisign’s efforts to offer new, moneymaking services. ICANN’s proposed settlement is to revise the definition of “registry service” that will make Site Finder covered and thus requiring prior ICANN approval. The proposal also sets up a formal review process for new services and gives ICANN 90 days to address any concerns. These items are responses to complaints coming from Verisign that ICANN takes too long to make decisions, and with those decisions often inconsistent.
- **Amazon.com announced a 44 percent decline in its third-quarter profit, which the Internet retailer is ascribing mainly to the settlement of a patent-infringement lawsuit with Sovereign Software.** The company posted net earnings of US\$30 million for the three months to September, compared with the US\$54 million a year earlier. It disclosed a 27 percent rise in its net sales to US\$1.8 billion in the third quarter from US\$1.4 billion last year. Excluding a one-time US\$40 million legal charge, Amazon reasoned its net income would have been US\$50 million. Sales in the U.S. and Canada climbed 28 percent from US\$816 million in the same period last year to US\$1 billion. The company said its international sales posted a 26 percent increase to US\$817 million from the US\$647 it posted in the third quarter last year. Electronics and general merchandise sales registered a 43 percent growth worldwide to US\$491 million from US\$344 million last year. Media sales went up 20 percent to US\$1.3 billion from US\$1.1 billion last year. Amazon said it was projecting for the fourth quarter sales to range from US\$2.8 billion to US\$3.1 billion, and for the full fiscal year net sales of US\$8.3 billion to US\$8.6 billion, representing from 21 to 25 percent increase over last year’s profits.
- **Microsoft disclosed its plans to launch an online library of books and other written works.** The company said it would work first on books from the public domain and then expand it to include other works. The digital text compilation that the company would embark on would comprise of material that is not copyrighted. Microsoft said it would work out deals with the owners of written works before including them in the online library, a move that observers say is an attempt to avoid the kind of criticism that its rival Google got with its similar project.

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- **Yahoo announced the doubling of the price to US\$120 of its online music subscription service for portable MP3 players.** Yahoo joins with this service Napster and RealNetworks in trying to market the concept of renting an unlimited amount of tunes for a set fee instead of users buying copies individually. The approach is aimed at encouraging customers to sample different genres and allow them to get to know other artists. Upon expiration of the subscription, the previously downloadable music gets to be unplayable. This is not the same as the method in Apple's iTunes store, where customers get to keep the songs they buy.

## *Mobile/Wireless*

- **Cingular Wireless announced its new offering in the form of a service for non-business users to obtain Blackberry-like mobile access to their personal e-mail accounts from AOL, Yahoo and MSN Hotmail on a mobile phone.** Powered by OZ Communications, the new service is designed to adapt the look and capabilities of a web portal or e-mail program such as Outlook to the limited screen size, keyboard and processing power of a regular handset. The Java-based e-mail application will be first available to download on existing phones with five models from Motorola and one from Samsung Electronics. Cingular will not ask for monthly charge but users would need to subscribe to one of the company's wireless Internet plans with a monthly allotment of data usage.

## *Software*

- **Cisco Systems announced the forging of alliance with certain Asian security software suppliers, a strategy aimed at advancing the adoption of its quarantine strategy for corporate networks in the region.** The new partners of Cisco under its Network Access Control (NAC) include Kingsoft and Rising Tech of China, and AhnLab in South Korea. Existing NAC partners are Altiris, Qualys and Symantec. The alliance is aimed at responding to the increased threat to businesses of viruses, spyware and other malicious programs. It also aims to expand the security control and audit functions under its NAC framework. In a separate report, Cisco announced the release of new NAC appliances for use of corporate networks. It is running a beta program to allow a number of these corporate customers to test the latest capabilities of the NAC framework.

## **Europe**

### *Ventures/Investments*

- **Vodafone, the British telecommunications giant, said it will invest US\$1.5 billion for a ten percent stake in Bharti Televentures, the flagship company of India's largest private telephone group.** Vodafone said it would buy a 4.4 percent stake from Bharti Enterprises and another 5.6 percent in Bharti Televentures. With the deal, Vodafone becomes a partner with Singapore Telecommunications, which owns a 15 percent stake in Bharti Televentures.

### *Information Technology*

- **Gemplus announced that a net profit of 20.9 million pounds (US\$37.1 million) in the third quarter, a result that reverses the 8.5 million pounds (US\$15.1 million) loss incurred in the same period last year.** The company, which is considered the biggest smartcard maker in the world, said it expects its sales growth this year would go beyond 10 percent but would be lower than initially expected because of a decline in sales of telephone and pre-paid mobile phone cards. Operating profit in the three months to September was placed at 21.3 million pounds (US\$37.8 million) from a loss of



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200,000 pounds (US\$356,000). The company said sales in the third quarter posted a 15.5 percent increase to 247.9 million pounds (US\$440.8 million).

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Other Economic Data						
Currency Exchange Rates						
Currency	Units	Current Rate (on 10/28/05)	% Change 1 Week Ago	% Change 1/1/2005	% Change 1/1/ 2004	% Change Last 12 Mth.
Japanese yen	¥/US\$	115.6700	-0.2%	12.7%	7.9%	8.8%
Hong Kong dollar	HK\$/ US\$	7.7540	0.0%	-0.2%	-0.1%	-0.3%
Chinese renmenbi	RMB/ US\$	8.0840	-0.1%	-2.3%	-2.3%	-2.3%
Singapore dollar	S\$/ US\$	1.6902	-0.3%	3.6%	-0.5%	1.6%
South Korean won	KRW/ US\$	1,043.3500	-1.4%	0.8%	-12.5%	-7.3%
New Taiwan dollar	NT\$/ US\$	33.6030	-0.1%	5.9%	-1.1%	0.2%
Australian dollar	US\$/A\$	0.7492	0.0%	-4.0%	-0.4%	0.3%
New Zealand dollar	US\$/NZ\$	0.7034	0.5%	-2.1%	7.3%	3.0%
Philippine peso	PHP/ US\$	54.9850	-0.8%	-2.2%	-1.0%	-2.4%
Euro	US\$/€	1.2069	1.0%	-11.0%	-4.2%	-5.3%
British pound	US\$/£	1.7739	0.3%	-7.5%	-0.7%	-3.1%

Fixed Income Prices and Yields							
Note	Currency	Current (on 10/28/05)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	108.7813	4.77%	111.4688	4.60%	112.0313	4.57%
Japan 30-year	¥	97.8560	2.33%	98.2320	2.31%	98.2290	2.31%
Hong Kong 10-year	HK\$	111.9830	4.30%	112.6370	4.15%	113.2870	4.03%
China (10/27)	US\$	117.5600	6.05%	118.7190	5.96%	120.6570	5.82%
Singapore 10-year	S\$	95.6050	2.89%	95.9330	2.84%	96.3850	2.77%
South Korea 10-year	US\$	110.4390	4.34%	110.5990	4.30%	110.9270	4.27%
Australia 15-year	A\$	106.6000	5.42%	107.0210	5.36%	107.1240	5.35%
New Zealand (07/09)	NZ\$	103.0550	6.06%	103.3920	5.97%	103.6080	5.92%
Philippines 20-year	PHP	141.9370	12.50%	141.9780	12.50%	141.5530	12.54%
India 20-year	INR	129.3300	7.37%	129.1800	7.39%	129.3900	7.37%
UK 30-year	£	99.6228	4.27%	99.5752	4.28%	100.0490	4.25%
Germany 30-year	€	127.1730	3.80%	130.2970	3.64%	131.4900	3.58%

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