

IRG WMR



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

Week of 18 June - 24 June, 2006

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Weekly Highlights

International

Mobile/Wireless

- **Research firm DisplaySearch reported shipments of 274.6 million main displays and 58.6 million sub-displays for mobile phones, with total revenues of US\$3.3 billion in the first quarter of 2006.** The report said Active-matrix (AM) displays are now more than 73 percent of the total shipments, up from 63.5 percent a year ago. This trend is expected to continue and by the third quarter of this year, the AM share is forecasted to reach 78 percent, according to DisplaySearch. Among the top-five leading panel makers in the first quarter, Samsung SDI and Philips are strong in CSTN LCDs, while Sanyo Epson, Sharp and Wintek are the leaders in AM LCD production. Targeting the low end, Motorola is now the leader in MSTN display based phones with quarterly purchases of 11.7 million substrates, compared to Nokia's 10.8 million. In the first quarter of 2006, Samsung and LG Electronics (LGE) lost share on year, while Sony Ericsson gained 1.5 percent. Samsung and LGE are both expected to have slight gains in share sequentially in the second quarter, as BenQ-Siemens tries to gain control of their recent merger.
- **A worldwide program called the “3G for all” was formed with 9 mobile operators uniting in a bid to make available to consumers handsets based on WCDMA standard.** The group includes China Mobile, Hutchison Group, Vodafone and Orange. Observers see the participation of China Mobile as a sign of the company's strong interests in WCDMA technology even as the 3G licenses to be issued would be with the locally developed TD-SCDMA technology. Earlier a program called the “emerging market handset scheme” took 2G handsets at wholesale prices of less than US\$30 into emerging markets, a top official of the GSM Association revealed that for 3G, there would be no geographical limit to stop the vendor in selling the handsets. The group said for 3G there are already more than 70 million users, with 150 networks deployed and some 355 handset models launched worldwide. This gives WCDMA economies of the scale, which the association sees as the right time to deploy handsets globally. Hutchison, the program sponsor, is coordinating with mobile operators on the drafting of specifications for the tender.
- **Industry players at the CommunicAsia2006 Conference said that growth in mobile telephone subscribers would come from developing economies.** The telecommunication executives said that while the income levels of users in the poorer nations are definitely not comparable to those in wealthy countries, they are the source of better revenue growth opportunities. Industry research estimates there are 2.2 billion mobile subscribers globally. This figure is expected to rise to 3 billion by the end of 2008. Identified Asian countries that fall into the high growth category include Pakistan, Indonesia, China, India and the Philippines. In these countries the rural areas remained largely untapped.
- **A survey conducted by Nielsen Media Research has singled out Hong Kong as having the highest mobile phone penetration rate in Asia and nears saturation point.** The same report on media habit, lifestyles, and attitudes indicated that China's mobile phone ownership has surpassed that of the U.S., with about 5 million mobile phones and a population of 6.9 million in the southern Chinese territory, that corresponds to 95 percent of the people between the ages of 15-59. That figure compared with 93 percent in South Korea, 89 percent in Singapore and 87 percent in Australia. The UK has about 92 percent mobile phone ownership. The report noted that 73 percent of the same age group polled in China own a mobile phone, higher than the 71 percent in the U.S. Together with

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China, other Asian countries that exhibit potential and business opportunities are Malaysia, Thailand, the Philippines, Indonesia and India with a penetration rates at or below the 50 percent overall.

Media, Entertainment and Gaming

- **In 2011, mobile TV services will have some 514 million subscribers worldwide, up from only 6.4 million at the end of 2005, according to ABI Research.** The fledgling market for mobile TV is beginning to build significant momentum, and advertising-supported broadcast services are expected to propel additional growth over the next few years, the research firm indicated. ABI said broadcast will be the preferred method of access to mobile video for most people, with Unicast remaining part of the mix, for customers who want to access video-on-demand. ABI Research believes that the majority of subscription services will be for broadcast content, and that unicast-only subscriptions will not be a significant part of the market. The report said South Korea and Japan are the early adopters, but European and North American markets are not far behind, with three contenders planning to introduce mobile video broadcast services in the United States over the next 12 to 18 months. ABI noted that the most critical factor for a broadcaster's survival in the market would be commitment from mobile operators.

Japan

Mobile/Wireless

- **Sanyo and Nokia said they have dropped talks to work together on a mobile joint venture, just four months after they announced the plan.** After negotiations, Nokia Corp. and Sanyo Electric Co. stated that they have decided it would be better to pursue other options, the companies said in a joint statement. Japanese electronics maker Sanyo Electric said it would invest more than US\$350 million in its solar cell business over five years, aiming to cash in on the growing demand for renewable energy. Sanyo, the world's fourth-largest maker of solar cells behind Sharp, Germany's Q-Cells and Kyocera, aim to more than triple sales from the business to 180 billion yen (US\$1.6 billion) by the year to March 2011. Solar energy is one of the few promising units for Sanyo, which lost over 350 billion (US\$3 billion) over the past two years as it was unable to keep up with rivals in the consumer electronics market and suffered from earthquake damage to a chip plant in 2004. Japan's third-largest consumer electronics maker said it would invest 40 billion yen (US\$343.2 million) or more in its solar business by the financial year through March 2011, starting with an investment of 10 billion yen (US\$85.8 million) in 2007-2008.
- **Softbank Corp. disclosed that new cell phones offered by the company's mobile arm would offer direct connections to the Internet via a Yahoo portal site.** The company said the move is based on their perception that users will not be happy with the small content of DoCoMo, I-more, or au Ezweb services coming from Softbank's rival. For the company, mobile phones are no longer just for voice communication even as it revealed that the company would not yet expand to offer optical fiber services. Softbank said it is targeting to increase its sales of Vodafone's Japanese arm to about 2.5 trillion yen (US\$21.4 billion) and raise its number of subscribers to about 26 million by the end of this fiscal year.

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Media, Entertainment and Gaming

- **According to the country's Ministry of Internal Affairs and Communications, the value of Japan's market for information and entertainment content, including newspapers, television programs and video game software, exceeded 11 trillion yen (US\$94.3 billion) in 2005 for the first time ever.** The report ascribed the growth to a 28.6 percent rise in the market for online content, even though it only accounted for 6.2 percent of the overall content market. In particular, the online video game software market posted a 56.6 percent growth to 91 billion yen (US\$781 million); with music software downloads, including those for mobile phones, also seeing a sharp rise of 21 percent to 186.8 billion yen (US\$1.6 billion). The source said that the market for online content will continue to expand, with free Internet based content distribution services having grown rapidly since 2005. The report indicated that at the end of March the country housed 23.3 million broadband users, including 5.5 million fiber-to-the-home (FTTH) users, 14.5 million xDSL subscribers, 3.4 million cable modem customers and 16,000 fixed-wireless access (FWA) connections.
- **Tokyo Broadcasting System Inc. (TBS) through its president revealed that tie-up talks with Rakuten Inc. are likely to be extended beyond the earlier-set deadline of the end of June until the end of July.** The top official said the two companies came to an agreement earlier that the deadline would be automatically extended for another month unless either of them asks to terminate the talks. Rakuten, an Internet mall, has a stake of more than 19 percent in the broadcaster. The company has been forming a business alliance with TBS following its failed bid to persuade the major TV broadcaster to fuse its management with Rakuten's under a holding firm.
- **Game maker Konami Digital Entertainment, Inc., a top-tier mobile content provider, announced that the company has entered into a definitive agreement to acquire Blue Label Interactive (BLI).** Konami and BLI together plan to enter additional mobile entertainment ventures beyond gaming. Blue Label Interactive, Inc. is a mobile application developer specializing in the creation and deployment of mobile software for the entertainment industry. Konami Corporation is a leading developer, publisher and manufacturer of digital entertainment properties, specializing in the home video game market. Konami Corporation is a publicly traded company based in Tokyo, Japan with subsidiary offices, Konami Digital Entertainment, Inc. in the US and Konami Digital Entertainment GmbH, Germany, and Konami Digital Entertainment Limited in Hong Kong, China.

Hardware

- **Reports are saying that NEC has finally received a bid for its Packard Bell division, with the bid identified as coming from the founder of eMachines, who has put in some 10 billion yen (US\$87 million) for Packard Bell.** Earlier in January, NEC was said to be putting up its Packard Bell division for bids. Packard Bell was a major player in the U.S. but relocated to Europe due to intense competition. The company has gone through a restructuring since then. Analysts reported that Packard Bell lost some market share in Europe due to increased competition from other players.
- **Matsushita Electric Industrial Co. said it would launch its first digital SLR camera in Japan next month, a move that is expected to heighten the competition in the high-end segment of the camera market now dominated by Canon Inc.** Digital single lens reflex (SLR) cameras use interchangeable lenses and are generally more expensive and offer better performance than simple point-and-shoot compact models. Industry analysts say that electronic makers are keen to get into the SLR market because demand is growing rapidly and such cameras yield fatter profit margins than compact models, which are much easier to produce but whose prices are falling due to an influx of low-cost makers. Matsushita, the world's largest consumer electronics maker known for its Panasonic

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brand, said it would start selling its first digital SLR in Japan in July, after rival electronics maker Sony Corp. introduces its first SLR. Matsushita expects its digital SLR camera kit, which includes the body of the camera and a lens to sell for about 250,000 yen (US\$2,000), roughly double the price of Sony's product.

Korea

Internet

- **Daum Communications announced it's signing of an agreement forming a strategic partnership with price comparison site Danawa.** The agreement is expected to enable Daum to offer a one-stop search service, from comparing prices to reading reviews to linking potential buyers to the online retail site, when it comes to shopping online. The new service dubbed 'Shopping Search' will begin in August. Under the agreement, Daum will have access to Danawa's database of 9 million products sold through 1,300 online shopping malls. Daum said it is developing its own search engine that is aimed at focusing on delivering user-created contents faster and with more accuracy. The offering is also targeting the handling of bulk-sized data. Currently Daum is using a search engine developed by Daumsoft and uses ASP for web searches, which reveals Google's search results on Daum's website. Currently the only Internet portal with its own search engine is NHN.
- **Internet portals reported massive profits made through World Cup-related clip and banner ads. Daum Communications, Yahoo Korea, NHN and Naver reportedly earned a combined 10 billion won (US\$10.4 million) in profits, at a minimum by selling ads just before the World Cup.** Daum Communications said it has sold five ad packages – each worth 500 million won (US\$522,000), and two related packages – each priced at 1.5 billion won (US\$1.5 million). To go by this figure, Daum earned some 5.5 billion won (US\$5.7 million) in total ad profits so far. The company has a licensing agreement with Infront Sports and Media AG, the official agency that relays World Cup events, and thus has a foothold into local online and mobile broadcast rights for all World Cup matches. Industry sources said Yahoo Korea also has earned several billion won in profits by selling ad packages priced between 50 million won (US\$52,000) and 60 million won (US\$62,000). Naver has only sold banner ads, allowing them to pop up on its World Cup-exclusive website.

Media, Entertainment and Gaming

- **Hanbitsoft announced that its MMORPG Granado Espada would undergo a major upgrade next month.** The upgrade will provide the game with more characters and a larger game map. Observers see this as a response to criticism that the game had limited content and shows a lack of 'party play' with other users. The company disclosed that with the upgrade, it hopes to solve said problems.

Mobile/Wireless

- **VSST, a mobile solution company, said that the company co-signed with Sponge Entertainment an agreement to start the mobile image service of South Korean popular stars in China.** Both companies plan to provide the real-time mobile service of the daily life of South Korean Singer Jang, Woo-huk popular in China using real-time mobile streaming solution of VSST to China. VSST, possessing the solutions of real-time mobile streaming and gateway technology related to ubiquitous sensor network plans to launch into the domestic and overseas mobile service market with 'VR-110A' solution that can send MPEG4 movie and JPEG images at the same time.

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- **Industry observers say the intense competition for super slim mobile phones has rendered specifications of battery chargers used for mobile phones almost useless.** Mobile phone manufacturers are now asking the government to change its policy, while the Telecommunications and Technology Association (TTA) is urging manufacturers to stop producing non-compliant products. Earlier, three wireless operators, SK Telecom, KTF and LG Telecom, and leading mobile phone companies like Samsung Electronics and LG Electronics agreed to standardize terminals of battery chargers for a 24-pin type in April 2002. With technologies and designs evolving fast, however, handsets adopting other than the standard 24-pin type have hit the market. A wide range of MP3 players, DMB handsets and digital cameras has also spurred noncompliance. TTA has been issuing certificates for chargers adopting 24-pin terminals as a part of standardization drive.
- **Microsoft Korea announced that it is accelerating moves to begin the emerging mobile e-mail service market in the country despite the longstanding skepticism about its market potential over broadly used mobile text messages.** The South Korean unit of Microsoft helped in the launching of a mobile e-mail service by Hostway IDC. The service that has been compared to BlackBerry e-mail services in North America is now available for SK Telecom subscribers who have the latest SCH-M600 smartphone. Earlier, Blackberry mobile e-mail, which is wildly popular among corporate executives in the U.S., also made inroads into the South Korean market. KT Powertel, a unit of fixed-line giant KT Corp., operates the service in partnership with wireless e-mail solution provider Research In Motion. A top Microsoft Korea official said that the global mobile e-mail market would triple in the next five years, pushed by growing demand for wireless email access on the part of corporate clients. Except for the Korean operations, Microsoft already gave away smart phones to its 60,000 employees worldwide to utilize the wireless e-mail service.
- **KTF is reported to be drastically changing its platform strategy, a move that includes reinstalling 'Brew', a wireless Internet platform, to promote global competitiveness.** It is an unavoidable choice to switch to 3G mobile communication services in which wireless Internet is taking on a larger role. The news said that KTF made the decision to re-roll out mobile phones based on Wi-Fi on Brew after it had contracted Qualcomm's platform. The company said it held meetings with Samsung Electronics and LG Electronics and is now making a plan for the expansion of the platform and production line-up for mobile phones. The company stopped distributing brew-based mobile phones since last February when 'Wi-Fi' became the nation's standard platform.

Telecommunications

- **SK Telecom announced that it has set up a strategic alliance with China Unicom, a move that industry observers say facilitates its entry into the Chinese market considered to be an excellent one in terms of quantity and quality.** Under the deal, SK Telecom said it would buy convertible bonds worth about US\$1 billion from China Unicom. SK Telecom said the move of the company was part of its plan to strengthen its competitive edge in the global marketplace. China Unicom said it would harness the deal to boost its 3G CDMA offerings. The Chinese company has some 34.2 million subscribers to its CDMA service compared to 99.7 million for GSM. The Korean company said it would add more investment in China if the Company gets a 3G-service license.

Information Technology

- **The country's Ministry of Information and Communications said South Korea plans to start a campaign to win a key post at the International Telecommunication Union (ITU) as part of its efforts to gain the upper hand in standardization in the field of information technology.** According to the ministry, the ITU is to select a new director of the Telecommunication

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Standardization Bureau (TSB), one of the ITU's key sectors, in November. The ITU is a Geneva-based international organization responsible for standardization, coordination and development of international telecommunications. The TSB, along with the Radio Communication Bureau and the Telecommunication Development Bureau, is seen as a key section in which South Korea can have a strong influence.

China

Internet

- **Soufun.com disclosed that it is targeting a possible overseas listing at yearend, a move that observers say is encouraged by the phenomenal growth of China's property markets.** For the last 3 years, China's biggest online property advertising company has seen its revenue rise twofold, and hitting about HK\$20 million (US\$2.5 million) in 2005. SouFun's investors have included IDG and Goldman Sachs, with the latter having disposed its stake already. The newest outside investor is Dutch firm Classified Media which paid US\$22.5 million for a 15 percent stake in August of 2005 with an option to increase that share or go later into an outright acquisition of SouFun.
- **China's search engine market posted combined revenues of 303 million yuan (US\$37.8 million) in the first quarter excluding channel revenue, according to Analysys International.** The China-based Internet research firm said that Baidu, the country's biggest search engine, is leading with a market share of 43.9 percent, followed by Yahoo!China with 21.1 percent. Google is third with 13.2 percent. The report said that 91.4 percent of total search revenue came from search engine portals, with 8.5 percent from affiliate web sites.

Mobile/Wireless

- **Warner Music Group Corp. announced the signing of a deal with China Unicom Ltd. to sell music to wireless users in China.** Observers say the agreement marks the first of its kind between a leading music company and a Chinese mobile operator. Industry players look to the deal as paving the way for the market to open up to the profitable distribution of music. The Chinese market has been facing the problem of piracy and the government regulations on government restrictions in ownership.
- **Huawei Technologies disclosed that it is looking to securing some US\$2 billion worth of contracts from potential customers in the Asia-Pacific region, which is a rise of more than 50 percent from the contracts it gained last year, in a bid to boost its expansion in the region.** In 2005, the company posted total contract sales of US\$8.2 billion, with international sales contributing about 57 percent. In the Asia-Pacific region the company said it had already won network contracts in Thailand, Malaysia, Pakistan and Brunei, and 3G contracts in Brunei, Malaysia, Indonesia and New Zealand. Huawei said the next-generation networks for both fixed and wireless carriers will serve as the future growth drivers of its business.
- **The country's Ministry of Information Industry announced that the number of cell phone users in China, the world's largest cell phone market, exceeded 420 million by the end of May.** The report noted that the number of fixed-line phone users from Oct. 2003 has grown by an average of 3 million to 4 million per month. MII also reported a rapid growth in the use of text messages (SMS), with the volume of text messages sent during the 5-month period posting a 46.3 percent year-on-year increase to 167.9 billion in the first five months. The growth is reflected in the total income of postal telecommunications for the five months with its 11.4 percent year-on-year rise to 287.8 billion yuan (US\$36 billion).

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Media, Entertainment and Gaming

- **Acorn International, operator of a home shopping TV network in China, is reportedly seeking to raise between US\$150 million and US\$200 million through a public offering on the NASDAQ.** The pre-marketing for the IPO of the home shopping TV network operator is expected to begin next month. SAIF Partners, a venture capital firm, holds some US\$35 million investment in Acorn International, which is part of Japan-based Oaklawn Marketing. Morgan Stanley and Credit Suisse Group are the underwriters for the IPO.
- **Focus Media Holding Ltd. announced a follow-on offering of 6.7 million American depositary shares (ADS), each representing 10 ordinary shares, for US\$54 per ADS.** Under the offering, the company said it would sell 1 million ADS, while shareholders will sell the remaining 5.7 million. Credit Suisse Securities (USA) L.L.C. and Goldman Sachs (Asia) L.L.C. are the joint global coordinators and will be acting, together with Merrill Lynch & Co. and Citigroup Global Markets Inc., as joint bookrunners. Lehman Brothers Holdings Inc. and Piper Jaffray Cos. are acting as co-manager of this offering. The underwriters have an option to purchase up to an additional 1 million ADS.
- **In a report, “Global Entertainment and Media Outlook: 2006-2010”, PricewaterhouseCoopers identified the rapid growth of pay television and broadband Internet in China as the drive engine for its media industry over the next four years.** The report said the China market would post an 18 percent annual growth to hit US\$137 billion in 2010, after overtaking Japan in 2009 to become the region's largest media and entertainment market. India is also another country identified in the report that is showing a speedy growth at 15 percent a year. A Pricewaterhouse Coopers specialist in technology, information-communications and entertainment in the Asia-Pacific, looks to growth in digital media as the one that will engage the Chinese government to put telecommunications and broadcasting under the control of a single regulatory body. The report indicated that Internet penetration would register a 48.8 percent by 2010 from 18.7 per cent last year, with 200 million Chinese households connected to the web, with the spending on the Internet reaching US\$73.5 billion by 2010. Advertising spending in China is expected to post a 14.8 percent growth in 2010. The report mentioned Hong Kong, where media growth will be pushed by spending on theme parks, pay television, TV advertising and newspaper publishing. PricewaterhouseCoopers stated that newspapers would still be the largest media boasting of revenue rising to US\$1.3 billion in 2010 from US\$989 million in 2005.
- **Global Sources Ltd., a business-to-business (B2B) media company announced its completion of a previously announced acquisition of a 10 percent stake in Chinese business information provider HC International Inc.** The deal is valued at about US\$9.9 million. Under the deal, Global Sources has an option to increase its stake in HC International by a further 35 percent at any time within the next 12 months. If this option is exercised, Global Sources will be required by Hong Kong regulations to make a general offer for all HC International shares held by the public. HC International is a leading e-commerce and business information services provider in China while Global Sources is a business-to-business media company and a primary facilitator of trade with China. Combined, the two have 72 industry-focused web sites serving some 4 million suppliers and 950,000 buyers from 230 countries. The combined annual revenue of the two would reach US\$150 million in 2005.

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Hardware

- **With words of caution about higher manufacturing costs, high interest rates, and rising value of yuan, VTech Holdings, a firm that manufactures cordless telephones and toys, reported that its net profit more than doubled to hit a record US\$128.8 million in the year to March from US\$56.9 million the previous year.** The company said its revenue posted a 17.8 percent growth to US\$1.2 billion from US\$1 billion, ascribing the growth to the strong sales of its educational products and goods. Vtech also explained the profit as the result of the company reversing a sharp decline in the profitability of its cordless telephone operations, which remains its biggest-selling products in the U.S, and the launching of a new toy. Its sales of electronic learning devices went up by 60.7 percent to US\$451.7 million while its contract manufacturing revenues posted a 23.2 percent growth to US\$158.2 million. It registered, however, a 2.9 percent decline in its telecommunication products to US\$594.7 million as the company did away with unprofitable businesses and streamlined product lines. The company also revealed its plans to relocate and expand its manufacturing to its factory in Qingyuan, another city in Guangdong, which has lower costs.

Semiconductor

- **ChipPAC Ltd., a leading independent semiconductor and advanced packaging service provider, and China Resources Logic Limited announced the signing of a definitive agreement for the companies to enter into a strategic joint venture for the assembly and test of select products in Wuxi, China.** Under the agreement, CR Logic's indirect wholly owned subsidiary Wuxi CR Micro-Assembly Technology Ltd. (ANST) will purchase more than 1,000 sets of key assembly and test equipment from STATS ChipPAC for US\$35 million, to be settled in cash installments over a four year period until 2010. STATS ChipPAC will continue to provide sales and technical support to its existing customers on specific low lead count packages until December 31, 2009 with customer purchase orders being placed directly with ANST. ANST, in return, will pay STATS ChipPAC a commission on the aggregate amount of revenues generated from such orders on a quarterly basis in 2007, 2008 and 2009. In addition, STATS ChipPAC will receive a 25 percent ownership stake in ANST for a cash consideration of US\$10 million with CR Logic owning a 75 percent.

Telecommunications

- **Qiao Xing Universal Telephone Inc., a manufacturer of telecom terminals and equipment in China, posted a 42.4 percent increase in sales for its financial year ended Dec. 31, 2005 to US\$356.1 million, compared to US\$250.1 million the year before.** The company ascribed the growth to the strong performance by its subsidiary CEC Telecom Co. Ltd. (CECT), a manufacturer of mobile handsets. The company said its net income for the company reached US\$30.8 million for the year, up from US\$2.8 million in 2004.
- **PacificNet Inc., a leading provider of Interactive Voice Response (IVR) platforms, CRM and telemarketing services, call center, e-commerce, and Value-Added Services (VAS) in China, announced that its subsidiary, Guangzhou 3G, was granted a nationwide IVR access license from China Mobile.** This nationwide access license will allow Guangzhou 3G to expand its IVR telecom services offerings to a wider audience and will allow further expansion of the "iPACT" VAS program. The granting and approval of this nationwide IVR value-added telecom license is under strict control by the Chinese government and China Mobile with high-level of entry barrier including the requirement of significant registered capital, relevant telecom services experiences, investment in IVR telecom equipment, security control, high quality customer services and complaint management. Guangzhou 3G is one of the leading value-added telecom and information services providers in China

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with both voice (IVR and call center) and data (SMS, MMS, WAP, JAVA, GPRS) connection to the four major telecom operators: China Mobile, China Unicom, China Telecom, and China Netcom, covering both mobile and fixed-line networks.

Information Technology

- **Thomson Corp. announced collaboration through its Thomson Prometric testing division with the Computing Technology Industry Association (CompTIA), Lenovo Group Ltd., and Sunny Tech on the provision of standardized IT training and certification in China.** Thomson said the alliance is expected to give all participants a presence in the Chinese market and allow the Chinese IT industry to adopt and follow a certification standards used by PC manufacturers around the world. Under the collaboration, Thomson said it would work on the administration and management of test delivery services for A+ and Network+ certifications. Thomson said it will work with the other three entities to protect the security and quality of CompTIA training and testing services in China. The Chinese CompTIA certification exams will only be available in China through the approved Thomson Prometric testing centers.

Taiwan

Hardware

- **Advanced Optoelectronic Technology (AOT), a Taiwan-based LED packaging house announced that it has reached an agreement for licensing white-LED chip technology from Toyoda Gosei.** The patent licensing agreement will enable AOT to expand operations overseas, according to the company. Under the agreement, AOT is allowed to manufacture white LEDs based on Intematix-patented technology. In 2005, AOT saw an on-year growth of 78.7 percent in shipments, with its operating profits narrowing by 50.6 percent. The company ascribed the decrease in operating income to falling prices especially in the blue LED segment in 2005. Sources indicated that more than 50 percent of AOT's total shipments currently go to its handset customers in South Korea, including Samsung Electronics and LG Electronics.
- **Industry sources said that three Taiwan-based solar cell makers, Gintech, SolarTech Energy and Neo Solar Power will soon have new solar cell capacity available capable of delivering a combined 120-megawatt peak (MWp) capacity this year.** Gintech is starting production in June and July, later than the company's announced April timeframe, the sources said. The company currently has one production line, and another line will be added in November, to house an annual capacity of 60MWp. SolarTech began equipment installation during April and is currently moving ahead with test production. Sources noted that initially, annual capacity will be 30MWp. Powerchip Semiconductor Corporation (PSC) and Wafer Works have both invested in Neo Solar Power, which is in the process of setting up production facilities. Sources indicated that equipment installation should be completed during the period of August to October. Neo Solar Power is expected to reach an annual capacity of 30MWp this year.
- **Quanta Computer has recently snatched from its chief competitor, Compal Electronics, a Dell order for 1 million units of a 15.4-inch notebook model, as the US vendor continues shifting orders between suppliers in a price-slashing strategy.** Quanta is expected to ship 10 million notebooks to Dell next year, retaking the crown from Compal as the U.S. vendor's biggest notebook supplier. Quanta said it would ship a total of 8.8 million notebooks in the first half of 2006, up 25.7

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percent from the same period of last year, while Compal will ship 5.5 million notebooks in the first half of this year, up 22.2 percent on-year.

- **The Electronics & Optoelectronics Lab (EOL), under the Taiwan-government-sponsored Industrial Technology Research Institute (ITRI), unveiled the HD-FVD Media Center, a high-definition (HD) video recorder compatible with the Taiwan-developed forward versatile disc (FVD) standard.** The model is scheduled to come into volume production by local OEM makers in the third quarter of this year. The HD-FVD Media Center supports FVD movie disc playback, video/audio recording, MP3 playback and writing and access to the Internet. The company said several retail channels in Europe have placed orders for the HD-FVD Media Center, with initial retail prices there expected to be in the US\$150-200 range. Including these orders, EOL has set a sales goal of 300,000 HD-FVD Media Centers for this year. The company said that as sales grow, more local OEM makers will produce the HD-FVD Media Center, and consequently the retail-price level may drop to US\$100. In addition to the European market, two or three American enterprises, including HDNet, are interested in importing the HD-FVD Media Center.
- **Acer, the world's fourth-largest branded personal computer vendor, announced its objective to go for a tripling of its sales in the mainland this year.** The Taiwan based firm said it has set a target of more than 200 percent sales increase in value terms using its own retail network. Acer reported consolidated sales of NT\$83 billion (US\$2.5 billion), a figure that includes the amount of NT\$71.7 billion (US\$2.1 billion) coming from its IT product business in the first quarter to March. According to Gartner Dataquest, Acer went up from No. 7 to No. 4 in the Chinese notebook market in the same period. The company also saw its notebook computer shipments on the mainland register a 136 percent surge quarter on quarter and 208 percent year on year to hit almost 110,000 units, a figure that makes up about 8.8 percent of the market in China. The market has Lenovo Group leading by 29 percent, followed by Dell with 10 percent, and Hewlett-Packard with 9.5 percent. Acer explains the growth to its strategy of getting customers through its own network of retail outlets, an approach observers compare to Dell's direct sales.

Semiconductors

- **Taiwan Semiconductor Manufacturing Co released its forecast stating that the global integrated circuit (IC) industry will be able to sustain steady growth over the next 10 years.** According to the TSMC spokesperson, the IC sector has come to an agreement that the industry will continue to post steady growth at about 8 percent, between 2005-2015. The report took note of how the global semiconductor industry went through a period that saw an average 21 percent growth in 1985-1995, followed by an adjustment period of about 5 percent in 1995-2005. The report also indicated that the semiconductor industry was riding on a rapidly growing consumer electronics business, featuring cheap and user-friendly mobile communications devices and the huge market in the developing world.

Hong Kong

Mobile/Wireless

- PCCW Limited announced on June 19, 2006 that it had received a non-binding expression of interests from Macquarie Bank Limited and TPG Newbridge, both in relation to a possible acquisition of substantially all the telecommunications and media related assets of the Company. The Company would evaluate the merits of both possible acquisitions and believes it is in the best interests of the Company

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and its shareholders as a whole to continue discussions with the potential acquirers in relation to both possible acquisitions. The Company's financial advisor, Lehman Brothers Asia Limited, will be reviewing the merits of both proposals and advise the Company accordingly. In each case, the possible transaction which has been proposed is an acquisition of the Company's telecommunications and media assets, together with a transfer of the employees and staff of the businesses to be acquired, and would not involve the acquisition of shares in the Company.

Singapore/Malaysia/Philippines/Indonesia

Mobile/Wireless

- **Tech.Mahindra, one of India's top software exporters, announced its plans to set up its Asian regional headquarters in Singapore next month.** The company said it is also investing US\$5 million over the next two years and quadrupling its staff from 70 to 300 by the end of 2007. Under this plan, Tech Mahindra said it is going to base its international gaming business in Singapore, where it will do activities related to the development of mobile and interactive content. The company said the move to select Singapore, as its regional hub, is part of an overall strategy to gain access to China, Hong Kong as well as Macau.

Media, Entertainment and Gaming

- **According to IDC's latest study on the online gaming market in the Asia/Pacific region excluding Japan revealed that Singapore totaled US\$1.2 million in subscription revenue in 2005, growing by approximately 30 percent over 2004.** The study noted that Singapore's online gaming market is only beginning to mature with offerings beyond traditional PC-based online gaming, where console and wireless online gaming packages renewed focus on delivering enhanced content. Singapore held in 2005 a 0.1 percent market share of the Asia-Pacific region excluding Japan, posting total subscription revenue of US\$1.3 billion. IDC sees the market as growing at a compound annual growth rate of 21 percent from 2006 to 2010, to hit US\$3.6 billion by 2010, with the growth driven by the rapid increase in the numbers of players in the online gamers system.

Telecommunications

- **Telekom Malaysia (TM) Bhd's Internet unit, TM Net Sdn Bhd, revealed that it is finding more significance in its role amidst the slow decline in the parent company's fixed-line revenue.** A top official of TM said the profit generated by the broadband unit is crucial as it helps to partly offset the declining fixed-line sales. The company said that comparing the year's first quarter against 2005's first quarter, fixed-line business and residential average calls usage per customer have declined by 18.4 percent (per person) and 24 percent respectively. The reported noted that customer growth remained flat at 4.3 million users. The Internet service provider said it aims to have one million broadband subscribers by yearend. The company also said that to improve the broadband penetration rate, TM Net would have to work on the widening of its infrastructures as well as improving its customer satisfaction and retention. To this end, the company is investing some 40 million ringgit (US\$10.8 million) to improve its broadband service.

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United States/Canada

Internet

- **Yahoo in what appears as a response to Microsoft announced the unveiling of a test version of an enhanced, customizable online messaging service, a move seen as its way of countering Microsoft's offering.** The worldwide launching of Yahoo Messenger of Voice followed Microsoft's own earlier launching of its next-generation online messaging service. The Microsoft product had Internet telephony, group searching and file and photo sharing. Localized versions of Yahoo Messenger with Voice were launched in Argentina, Australia, Brazil, Britain, Canada, Mainland China, France, Hong Kong, India, Italy, Germany, Mexico, Singapore, South Korea, Spain, Taiwan and the United States.
- **Google disclosed that it is selling its stake in Baidu.com, its filing in the Securities and Exchange Commission stating that it intend to sell all the 749,625 shares it has in the Beijing-based firm.** Google bought about 2.6 per cent of Baidu.com's outstanding Class A ordinary shares for about US\$5 million before the Chinese search engine's initial IPO in 2005, with the shares valued at more than US\$60 million, based on Baidu.com's current stock price.

Software

- **The world's leading information management and storage company, EMC announced its plan to double its investment in India to US\$500 million over the next four years.** The world's leading information management and storage company explained the move is aimed at increasing its sales and research. The U.S.-based company started in India with an investment of US\$150 million. EMC disclosed that it also opened a software development and support center in India's southern technology hub of Bangalore last February. In a separate development, EMC disclosed that it would more than triple its investment in China to US\$500 million over the next five years. The company said it has invested some US\$150 million since 1996 establishing operations and research centers in the mainland but is now increasing its activities to capitalize on the upgrading of China's financial system and the presence of cheap labor in the form of skilled engineers. China's data storage market is estimated at US\$1 billion, with EMC at the top with about 20 percent market share. EMC said it plans to shell out US\$1.2 billion worldwide this year to establish and upgrade research and development facilities. The company expects its worldwide sales to hit US\$11.1 billion this year.
- **Adobe Systems announced the signing of a deal with Google to distribute the Google Toolbar with various Adobe products.** Under the agreement, the two companies will launch availability of the Google Toolbar with downloads from Adobe's Macromedia Shockwave Player. Other than the reference to the "multiyear" aspect of the deal, details about the final terms of the agreement were not disclosed.
- **Oracle reported a 27 percent rise for the three months ending May 31 to US\$1.3 billion, compared with US\$1 billion in the same quarter of last year.** The software maker said its revenue posted a 25 percent growth to US\$4.8 billion from US\$3.8 billion. The results were largely in line with estimates issued earlier by the company but also comes at a period when the business software growth has slowed down. Its new software sales went up by 32 percent to US\$2.1 billion from US\$1.6 billion in 2005, with the results for both periods encompassing Oracle's acquisition of PeopleSoft in a deal valued at US\$11.1 billion. Since early 2005, the company has spent more than US\$20 billion acquiring competitors in the business software arena, a move that was aimed at countering slowing growth. Other than PeopleSoft, Oracle has also bought other former competitors, including Siebel Systems for US\$6.1 billion and smaller companies for about US\$2 billion. It recently closed its acquisition of Portal

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Software for about US\$220 million. In a related development, Oracle Corp. announced the opening of a global support center in Dalian, in northeastern China. The center is seen as providing local-language technical support to customers in China, Taiwan and Korea. The company also said that it has expansion plans aimed at supporting customers from other markets in the Asia Pacific region in the future. Oracle said one of its priorities is to extend its products and services to more Chinese cities.

Europe

Mobile/Wireless

- **T-Mobile announced that it has joined forces with Vodafone, Orange, China Mobile, KPN of the Netherlands and NTT DoCoMo to promote the successor technology to 3G.** A top official of T-Mobile was quoted as saying that the new standard will allow downloads over mobile phones at speeds faster than those of fixed-line broadband will be able to supply by the year 2015. The group is also working on calling the new standard “3.9B” instead of 4G, a move that it expects will convince regulatory bodies that the new standard will not require new spectrum. Another name being proposed for the standard is “LTE”, which stands for long-term evolution. Presently, the total sum paid by European networks for 3G licenses and infrastructure has hit 100 billion euros (US\$125 billion). The current dominant 3G standard for mobile is called UMTS, which is based in turn on the GSM standard that was agreed in the 1990s by the dominant mobile phone makers such as Nokia. T-Mobile is one of the world’s leading firms in mobile communications.

Telecommunications

- **Nokia and Siemens announced the merger of their network services and equipment units, resulting in an entity touted to be the world's third-largest telecommunications infrastructure company.** The two companies disclosed that the merger would enable them to compete against Ericsson, the current market leader. Observers are saying that Nokia and Siemens are responding to the emergence of Asian telecommunication firms that have been getting their own share of the market at the expense of the more established firms. The move of the two biggest European telecommunication firms indicates convergence and consolidation. The 50-50 joint venture called Nokia Siemens Networks is expected to produce a company with 15.8 billion euros (US\$19.7 billion) in combined revenues. It is the second-largest mobile infrastructure and network services firm. Analysts are saying that the joint venture between the two European telecom companies may cause some pressure on the companies’ rivals Motorola and Nortel Networks to join the consolidation game. Earlier, Chinese telecommunications equipment manufacturers Huawei Technologies and ZTE Corp have announced a string of network equipment and management contracts, which threaten the market dominance of the established European players.

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