

# IRG WMR



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

*Week of 25 June - 1 July, 2006*

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Equity Market Indicators					
Index	Closing Level (06/30/2006)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change 2005 Low
S&P 500	1,270.20	2.07%	1.76%	4.81%	11.67%
Dow Jones Industrial Avg.	11,150.22	1.47%	4.04%	3.41%	11.36%
Dow Jones Tech. Index	363.05	2.32%	-3.21%	2.17%	16.24%
Dow Jones Telecom. Index	212.48	2.88%	5.38%	-2.44%	7.79%
NASDAQ Composite	2,172.09	2.39%	-1.51%	-0.15%	14.07%
The Street.com Net	207.47	2.29%	-1.36%	-0.40%	18.89%
Japan Nikkei 225	15,505.18	2.52%	-3.76%	34.96%	43.23%
Japan TOPIX	1,586.96	2.68%	-3.81%	38.04%	43.07%
Korea KOSPI Composite	1,295.15	5.42%	-6.11%	44.56%	48.72%
Korea Kosdaq	590.68	5.60%	-14.55%	55.31%	51.30%
Taiwan Stock Exchange	6,704.41	3.91%	2.38%	9.20%	19.02%
Singapore Straits Times	2,435.39	3.94%	3.75%	17.87%	17.90%
Hong Kong Hang Seng	16,267.62	2.90%	9.35%	14.32%	21.81%
Hong Kong GEM	1,178.32	2.94%	16.98%	19.19%	36.41%
China Shanghai (A-Share)	1,758.06	4.15%	43.99%	32.17%	65.47%
China Shenzhen (A-Share)	451.21	4.26%	55.56%	37.27%	84.39%
China Shanghai (B-Share)	92.39	3.43%	48.99%	22.13%	79.95%
China Shenzhen (B-Share)	295.10	5.16%	50.86%	34.26%	58.20%

## 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
6/29/06	Optium Corp [698693Z.US]	Electronics	US\$100	Provides a complete line of serial optical 10Gb/s transponders, high performance RF-Over-Fiber and CATV products	Credit Suisse/ Morgan Stanley	Cowen & Co/ Jefferies & Co
6/29/06	Shutterfly Inc [SFLY.US]	Internet	US\$92	Internet website which allows users to upload and organize pictures	Goldman Sachs/ J P Morgan	Jefferies & Co/ Piper Jaffray

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NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 6/30/06	% Change From Offer
6/28/06	Gmarket Inc. [GMKT.US] (NASDAQ)	Operates retail e-commerce space for products such as apparel, beauty, computers, electronics, furniture, and jewelry	US\$139	US\$15.25	US\$15.37	.8%
6/27/06	Omniture Inc. [OMTR.US] (NASDAQ)	Provides online business optimization software to manage online, offline, multi channel business initiatives	US\$96.3	US\$6.50	US\$7.29	12.1%
6/27/06	Replidyne Inc. [RDYN.US] (NASDAQ)	Biopharmaceutical company that develops anti-infectives	US\$45	US\$4.50	US\$10.38	131.1%

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 6/30/06	% Change From Offer
6/29/06	Variosecure Networks Inc [3809.JP] (Hercules)	Leases network security equipment developed by the company and provides security services such as management, monitoring and support	US\$8.3	¥380,000	¥689,000	81.3%
6/27/06	Shenzhen Coship Electronics A [002052.CH] (Shenzhen Stock Exchange)	Manufactures digital satellite receivers, digital cable receivers, digital terrestrial receivers, digital displays, and IPTV products. The company markets its products worldwide	US\$44	RMB 16	RMB 40.79	154.9%
6/27/06	Tekcore Co Ltd [339.TT] (Gretai Securities Market)	Manufactures light emitting diode wafers and chips	US\$5.1	TWD 23	TWD 65	182.6%
6/27/06	OLK Co Ltd. [084810.KS] (KOSDAQ)	Manufactures, develops, and markets liquid crystal displays inspection equipment	US\$4.2	KRW 4,000	KRW 3,375	-15.6%

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6/27/06	Point-I Co Ltd. [078860.KS] (KOSDAQ)	Provides customized location based services (LBS) and telematics solution and application services. Main products include geographic information systems (GIS) and network platform for LBS and telematics services	US\$4.1	KRW 7,300	KRW 5,510	24.5%
6/26/06	Secuavail Inc. [3042.JP] (Hercules)	Designs, builds, develops, manages, and monitors security systems and log analysis	US\$5.1	JPY170,000	JPY 254,000	49.4%

## 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
6/29/06	Marine Media Co [030420.KS]	Manufactures network products such as LAN cards, provides integration services, installs communications software, and client/server databases	7/4/09	US\$5	3,831	6/20/09
6/29/06	Q&S SI Tech Co [052880.KS]	Provides client management consulting, branch networking, manufactures semiconductor lead frame equipment, and circuit testing equipment	7/4/09	US\$6	3,609	6/29/09
6/28/06	Freestat Inc [053700.KS]	Produces, markets, and maintains online and offline kiosks	7/10/08	US\$5.7	2,352	7/9/08
6/28/06	Sudo Pharmaceutical [004720.KS]	Develops, manufactures, and markets a variety of over the counter drugs	7/3/09	US\$6	4,166	6/3/09
6/28/06	Digital On Net Co. [060240.KS]	Develops computer telephony integration solutions	6/28/09	US\$5	2,257	5/28/09
6/27/06	Powerchip Semiconductor [5346.TT]	Develops, manufactures, tests, packages, and markets RAM chips	6/30/11	US\$160	14,925	5/31/11

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## Weekly Highlights

### International

#### *Internet*

- **The Worldwide Web Consortium, a trade group that establishes Internet standards, has set up some special new guidelines for developers of mobile web pages.** These new guidelines are being promoted to developers with the aim of making the mobile web simpler and easier to navigate. The group has formally specified that mobile pages should be characterized by minimal graphics, with the content starting right at the beginning of the page. Consortium members include Google, Nokia, and Vodafone.

#### *Mobile/Wireless*

- **In-Stat reports that the number of mobile television broadcast subscribers around the world will grow to 102 million by 2010, a figure that is a huge jump from the 3.4 million according to current estimates.** The research firm said that as cell phone carriers begin to deliver more content over broadcast networks, rather than mobile data systems, the cost of wireless video will decrease significantly causing global penetration to skyrocket. An In-Stat analyst said that the greatest challenge for mobile TV broadcast operators is getting the spectrum needed for those services.

### Japan

#### *Internet*

- **Yahoo Japan Corp., Japan Net Bank and Sumitomo Mitsui Banking Corp. announced the conclusion of a business and capital tie-up contract.** Under the contract, Japan Net Bank will issue 25.8 billion yen (US\$225.4 million) and 8.7 billion yen (US\$76 million) in new shares to Yahoo Japan and Sumitomo Mitsui in September to boost its capital. As a result of the new share issuance, Yahoo Japan and Sumitomo Mitsui will each hold a 40 percent stake in the Internet bank. Under the agreement, Yahoo Japan and Japan Net Bank said they will provide participants in Yahoo Japan's Internet auctions with a new service to enhance user convenience of payment and settlement.
- **Japanese social networking site Mixi beat Google.com in terms of site page views in Japan in May, according to data released by NetRatings Japan Inc.** Mixi, which has more than 3 million users, accounted for 2.5 percent of page views by users accessing the Internet from home. That translates into more than two billion page views in total in May and earned the site a No. 3 ranking. At the top was Yahoo Japan, which accounted for just over a quarter of all page views and online shopping mall. Rakuten came in second place at 3 percent. Google, which trails Yahoo considerably in Japan, was ranked No. 4 by NetRatings with 1.2 percent of all page views. NetRatings said the average user spent 18 hours and two minutes online during May. Of that time about 16.3 percent was spent on Yahoo Japan, 2.1 percent on Rakuten, and 1.9 percent on Mixi. NetRatings estimated Japan's active Internet user base stood at 42.4 million during May.
- **The Japanese arm of Google Inc. announced the launching of a content-linked video advertising service adding one more to its varied offering of online services.** The search-linked video advertising service known as Click-to-Play automatically updates the Google Japan site and distributes the most appropriate video ads. The Click-to Play service, which utilizes Google's AdWords

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search-linked technology, distributes video ads to sites linked to keywords or page content as specified by the advertiser.

## *Media, Gaming and Entertainment*

- **Three Japanese cable companies announced their agreement in a bid to deliver on-demand programming to more than 600,000 subscribers.** The three companies – Chubu Cable, C-Tech, and CTY Co. – are running a trial of the system, which is based on software and equipment from SeaChange International, ahead of full commercial deployment scheduled later this year. The trial includes services such as on-demand movies, music videos, and local programming. SeaChange said it had developed the subscriber-navigation solution using its VODlink application platform, which is integrated into the customer's digital set-top box. The entire on-demand process is automated and integrated with third-party electronic program guides and browsers.
- **Warner Entertainment Japan Inc., a subsidiary of U.S. media giant Time Warner Inc., plans to acquire more Japanese films and increase local production of movies in response to the growing popularity of domestic films.** A top official of the company said the company hopes to form alliances with publishers to produce movies from best-selling novels, a business model that has proven successful around the world. The company said it is also looking for growth to Warner's Asian and Western movies, as well as acquisition of other company's films overseas, which it wants to distribute exclusively in the Japanese market. The official said the industry could not increase the number of moviegoers if it does not get access to more theaters. Warner Mycal, a joint venture between the Time Warner Group and domestic supermarket chain Mycal Corp., a subsidiary of retailer Aeon Corp, opened Japan's first cinema complex in 1993. Of the 2,926 screens nationwide, 1,954, or two-thirds, were part of a multiplex in 2005, according to the Motion Picture Producers Association in Japan. But like any other countries where broadband is common, Japan also suffers from Internet piracy. The official noted that unlike in the U. S., people who buy pirated films in Japan are not subject to penalties and thus the government needs legislation to curb the problem.
- **The Japanese Ministry of Internal Affairs and Communications reported that the value of Japan's market for information and entertainment content, including newspapers, television programs and video game software, exceeded 11 trillion yen (US\$96.1 billion) in 2005 for the first time ever, a figure that represents a 1.9 percent rise.** The report ascribed the increase 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 rose by 56.6 percent to 91 billion (US\$781.4 million), with music software downloads, including those for mobile phones also seeing a sharp rise, increasing by 21.0 percent to 186.8 billion yen (US\$1.6 billion).

## *Ventures/Investments*

- **Brooks Automation, Inc. announced that it completed the previously announced agreement with Yaskawa Electric Corporation (Yaskawa) to form a 50/50 joint venture in Japan and to purchase Synetics Solutions Inc., a U.S. subsidiary of Yaskawa.** The joint venture is expected to commence full operations in September 2006, with the merged entity to be called Yaskawa Brooks Automation, Inc. (YBA), and serve as exclusive channel for sales, marketing and support in Japan for the semiconductor robotics products of Yaskawa and the automation hardware products of Brooks. Excluded from this joint venture are the Yaskawa robots used for flat panel display manufacturing and the Yaskawa motion control products, as well as Brooks' software products and the products of the recently acquired Helix Technology. With Japan being the world's second largest market for semiconductor equipment, the Synetics acquisition is seen as providing Brooks critical mass to enhance



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its capabilities of manufacturing customer designed automation systems. Brooks is a leading worldwide provider of automation solutions and integrated subsystems to the global semiconductor and related industries. Yaskawa Electric provides core technologies focused in the fields of Motion Control, Robotics Automation, and Systems Engineering aimed at enhancing customer return.

## *Hardware*

- **Sony Corp. announced that it will replace hard disks with flash memory when it launches a new model of its Vaio U laptop, a decision that will make the computer one of the first on the market that uses flash memory in place of magnetic storage.** Flash has long been eyed as a potential replacement for hard disk drives because it is lighter, runs silently, offers faster data access and uses less power. Price, however, has always been a problem. The Vaio UX90 will come with 16GB of flash memory storage in place of the 30GB hard disk drive on the original model. The product is expected to be priced at around US\$1,805 or about US\$343 more than the disk-based model. Early this month, Samsung Electronics Co. launched a couple of portable PCs with flash storage.
- **Matsushita Electric Industrial Co. announced that it has doubled its production capacity for plasma display panel televisions at its factory in Amagasaki, Hyogo Prefecture, in a bid to respond to surging global demand for flat-panel TVs.** The company said that with the plant having initiated production on a full-fledged basis, its annual output capacity has reached 3.4 million units, which is about 2.3 times the previous capacity of 1.5 million units. By increasing the production capacity at the plant, Matsushita said its total annual production capacity including the Shanghai plant and the factory in Ibaraki, Osaka Prefecture has stood at 5.5 million units. The figure includes the production at its Shanghai plant and the factory in Ibaraki, Osaka. With a total investment of 180 billion yen (US\$1.5 billion), Matsushita is building the world's largest plasma display panel factory next to the Amagasaki plant. It aims to begin operations at the new factory in July 2007.
- **Sony Corp. said movie studios are starting to favor its Blu-ray DVD format, which can store high-definition films and other media.** Sony is promoting Blu-ray DVD against rival Toshiba Corp.'s HD DVD to gain acceptance from film makers and consumers as the standard for use in video players, games and other devices. Earlier, Toshiba said it expects that by December between 100 and 150 movie titles will be available in the format in Japan and Europe and 150 to 200 in the U.S. The HD DVD disc can hold 15 gigabytes of data, compared with 25 gigabytes for Blu-ray and 4.7 gigabytes for a conventional DVD. In March, it began sales of HD DVD players for about 110,000 yen and said it aims to sell between 600,000 and 700,000 units by March 2007. The format has the support of Microsoft Corp., Intel Corp. and NEC Corp., while Blu-ray is backed by Samsung Electronics Co., Matsushita Electric Industrial Co. and others.

## *Telecommunications*

- **BT Group and KDDI Corp. revealed their plans for a joint venture that will enable them to provide and manage global communications networks for leading Japanese companies.** The venture is expected to be launched in August and will provide and manage voice and data networks for leading Japanese companies and their operations across the world. The alliance is forecasted to generate revenues of US\$1 billion within three to five years. According to industry observers, BT has been seeking to reestablish itself as a force in Japan after selling its minority stake in Japan Telecom to Vodafone in 2001.
- **Softbank Corp. disclosed that it will begin offering a low-fee fiber-optic communication service that partly relies on existing phone lines.** A company spokesperson said, however, that while Softbank has initiated testing it has not reached a decision to go ahead with the service. Softbank is



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reportedly pricing the offering somewhere below the 6,000-7,000 yen (US\$52-US\$61) commonly charged for fiber optic services, but above the 3,000-4,000 yen (US\$26-US\$35) for asymmetric digital subscriber line (ADSL) services. Softbank dominates Japan's broadband market with its ADSL high-speed Internet service Yahoo BB, which grew rapidly due to its cut-rate prices, innovative services and an aggressive sales campaign. Yahoo BB is a joint venture with Yahoo Japan Corp. It posted more than 5 million customers at the end of March. Softbank, which owns 42 percent of Yahoo Japan, said it is also seeking to leverage its Yahoo brand with its cell phones.

## Korea

### *Internet*

- **Sources say that interest in subscription and service terms and conditions is intensifying as KT readies to launch the Wi-Bro wireless Internet service in a few weeks.** Other than the launch, the concern remains about the price of PCMCIA (Personal Computer Memory Card International Association) cards, which are expected to be set higher than earlier estimated. Estimates put the price as hitting as high as 300,000 won (US\$316), making the price of PCMCIA cards higher than wireless LAN cards. For commercial service, cards will be switched to Universal IC smart cards (UICCs) KT developed last month. The new UICC is capable of integrated management of personal information for financial services as well as certification of Wi-Bro. The company said the card is an essential part of KT's content differentiation strategy.
- **SK Communications, operator of South Korea's third-largest Internet portal service provider, announced its entering into an agreement with Germany's Tonline, a subsidiary of Deutsche Telekom, to launch a version of its popular Cyworld social networking service in Europe.** Tonline is considered to be Germany's biggest Internet service provider. The partnership will allow the two firms to launch a joint European office in Germany and introduce European Internet users to its Cyworld social networking blog. SK Communications is the Internet business unit of SK Telecom, South Korea's largest mobile phone operator with 19 million subscribers. The Deutsche Telekom affiliate has 14 million subscribers in German-speaking European nations. Germany is reputedly home to some 50 million Internet users in Europe and has a well-equipped Internet infrastructure. SK said it plans to provide the service for free until it sees success, and then gradually start charging for services.
- **According to industry sources, NHN is expected to acquire search portal 1noon.com, with the joint announcement to be made soon.** The report said most of the 1noon.com employees will remain within NHN once the acquisition is completed. 1noon.com is a search service provider spun off from Neowiz in May 2005 and has a solid reputation in the industry for its search technology and skilled technicians. The company is currently providing the last stage of its beta service.
- **Daesung Group said it has decided to expand its e-learning business from the existing enterprise programs into online education for school students and preschoolers.** The company first entered the competition in the e-learning market last year mostly with B2B contents. The company plans to heavily invest in the e-learning business beginning in the second half of this year, launching a college prep service site and making a push into the Japanese market, as it takes advantage of the business opportunities from the wide adoption of broadband Internet. The company said it is now talking with a leading online education service firm for an acquisition deal, and also drawing up a long-term plan aimed at spinning off the u-learning business unit to an e-learning service provider.

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## *Media, Entertainment and Gaming*

- **NCSoft revealed its move to lay off 70 of 300 employees in its U.S. operation based in Texas, as performances of its games have slowed down this year in the world's largest market.** The publisher of popular online games "Lineage", "Guild Wars", and "City of Heroes" said that it is restructuring the U.S. office by reducing members of its workforce, who are mostly support staff, for the first time since it first made inroads into North America in 2001. NCSoft has been considered a dynamic game company in the U.S. with the worldwide successes of its multiplayer online games. The company posted 339 billion won (US\$357.4 million) in global sales last year with an operating profit of 76 billion won (US\$80.1 million). Such performance is said to have been the main reason why other South Korean game firms, like Webzen, ventured into the U.S. market. NCSoft disclosed that its profits are likely to decline this year after it has failed to achieve huge success with its games. In its report to investors, NCSoft said it is looking to an operating profit of 57 billion won (US\$60.1 million), which represents a 25 percent decline from 2005.
- **Webzen Inc., a video game company announced that it has secured a deal that will have Microsoft Corp.'s newly acquired Massive Inc. advertising unit place promotions in two of its upcoming titles.** The agreement marks the first for Webzen and signals Massive's entry into the Asian market. Massive sells advertising to companies such as Coca-Cola Co. and Honda Motor Co. Ltd and helps them place their online promotions in slots created by game makers. The company's technology allows advertisers to run their online campaigns in specific geographic areas and for specific periods of time, rather than buying a spot that is written into the game software. Industry observers forecast the new advertising medium to grow into a global market valued at more than US\$3 billion. Games included in the deal are the upcoming PC versions of the massively multiplayer online first-person shooter (MMOFPS) Huxley and the urban action MMOG All Points Bulletin. Both games are slated for worldwide release and will include in-game advertising in each territory. Financial terms of the deal were not disclosed.

## *Mobile/Wireless*

- **Reports from the Korea Communications Commission (KCC) said that South Korean wireless operators – SK Telecom, KTF, LG Telecom and KT – were charged with heavy fines of 73.2 billion won (US\$77.1 million) for handset subsidies exceeding legal guidelines.** The industry regulator pointed to the four carriers' participation in illegal subsidy related offerings. SK Telecom was fined 42.6 billion won (US\$45 million), an amount considered to be the biggest ever ordered by the KCC. KTF was fined 12 billion won (US\$12.6 million) while LG Telecom was asked to pay 15.1 billion won (US\$16 million). KT, which runs its mobile telephony service in tandem with KTF, was ordered to pay 3.6 billion won (US\$3.7 million). Industry practices indicate that mobile operators are permitted to offer handset subsidies as long as they provide them at preset rates, which are reported to the government. Industry observers, however, say that the intense market competition has pushed carriers to offer excessive subsidies. In a separate development, KT announced that it has completed the acquisition of treasury shares valued at 213.5 billion won (US\$225.1 million).
- **The country's top information official made the confirmation that major South Korean cell phone makers' royalty obligations to Qualcomm will partially expire in August.** U.S.-based Qualcomm holds patents for CDMA, which refers to the world's second generally used mobile platform that enables wireless telephony services. The report noted that Samsung Electronics' contract with Qualcomm indicates it will finish in 2006 for sales on the domestic market and 2008 for exports. LG Electronics is also believed to have signed an almost identical contract in 1993 with Qualcomm.

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According to data compiled by the country's Ministry of Information and Communication, Qualcomm has collected up to US\$2.6 billion in CDMA technology fees in Korea starting in 1995 through last year. On the side of Qualcomm, the company contended, without explaining that South Korean mobile phone manufacturers will have to continue to pay royalties beyond this August.

- **Helio LLC, the company that makes phone-allowing text messaging instantly to South Korea, is targeting Korean-American customers.** The new device has Korean characters on the keypad, Korean ring tones, video ring tones and karaoke. Industry analysts are saying, however, that ethnic targeting involves risk because even within any ethnic group, there may be clients who would favor other products.
- **The Ministry of Information and Communication reported to the science and technology information communication committee of the country's National Assembly that among existing users, the number of people changing handsets accounted for 47.4 percent compared to the average 29 percent for the past five years.** The report pointed to the subsidy program as having changed wireless operators' marketing. Still, the industry regulator said that the program had not altered the market situation, with SK Telecom, KTF and LG Telecom accounting for 50.7 percent, 32.2 percent and 17.2 percent at the end of May compared to 50.9 percent, 32.1 percent and 17 percent posted in 2005. The ministry revealed that officials in dialog with their U.S. counterparts at the second round of the Korea-U.S. FTA talks would ask the U.S. government to increase the upper cap in foreign stakes in local wireless operators, while sticking to the upper cap of 49 percent for Korean operators.
- **An industry source revealed that VK Corp., a South Korean mobile handset manufacturer, could face bankruptcy if it fails to repay its maturing debts.** Earlier, reports circulated that VK was ordered by the nation's stock market authorities to clarify rumors that it might go into bankruptcy because it could not repay 3.5 billion won (US\$3.6 million) in debts to the Industrial Bank of Korea (IBK). The company was set up in 2001 as a battery-producing company, and entered the mobile phone production in 2001. The company reported 140 billion won (US\$147.6 million) in sales in 2002, 190 billion won (US\$200.3 million) in 2003 and 380 billion won (US\$400.7 million) in 2004. The company posted 64.9 billion won (US\$68.4 million) in losses last year, which prompted it to announce large-scale layoffs and other corporate restructuring plans. The company attributed the losses to intense market competition.

## *Ventures/Investments*

- **LG. Philips LCD Co. Ltd. announced a US\$95 million investment on a new plant in China's Pearl Delta region.** The South Korean company said the new plant will work on module production, which forms the last part of the TFT-LCD production process. There will be two factories in the site: one on the producing of TFT-LCD modules and the other on the manufacturing of cells and modules for smaller TFT-LCDs that are used in cell phones or other portable electronics. The factory is the second module production complex in the country for LG. Philips.

## **China**

### *Internet*

- **Baidu.com announced it's launching weblog services soon in a bid to compete with its rivals such as Google Inc., Microsoft Corp., and Yahoo Inc.** The company said the blog service is dubbed Baidu Space and is now being tested before launching. Reports indicate that the population of

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blog users in China is predicted to reach 60 million by the end of this year and 100 million in 2007. Google, Sina, and Sohu have already deployed their blog services in the country.

- **Online games company NetEase and China's leading drinks maker MasterKong announced their formation of a reciprocal promotional partnership with the aim of boosting sales.** Under the agreement, NetEase said it will plaster ads for the new games on millions of bottles of MasterKong's icy green and red teas to diversify its marketing channels. Under the deal, MasterKong will use Datang to promote its products among young gamers with in-game ads. NetEase will brand certain virtual settings, items, and characters in the game with MasterKong's bottled tea products. Industry observers see online games emerging as a preferred advertising medium in China because the country has the second-largest number of Internet users in the world, and online games play an important role. A report by Shanghai-based iResearch showed that China had 29 million online gamers, increasing 38 percent over the previous year, with the figure expected to go up to 40 million this year.

## *Mobile/Wireless*

- **JRDC, a subsidiary controlled by TCL Communication Technology Holdings Ltd (TCT), announced that it has received US\$16 million from two overseas strategic investors, with one of them identified as JAFCO Asia, a 100 percent subsidiary of Japanese private equity firm JAFCO.** The cash infusion, which boosts the total funding at JRDC to more than US\$46 million, is seen as strengthening research and development at JRDC and TCT, a leading Chinese handset manufacturer. JRDC, an R&D facility established by TCL and strategic investors, provide mobile phone solutions to handset makers and global operators, said it will work on the development of cost-effective camera phones in 2006 as well as multimedia and 3G-handsets in 2007-08. TCT has experienced losses because of market decline and its merger with Alcatel's mobile phone unit. TCT at 46 percent holds the largest stake in JRDC. TCT posted through unaudited financial results a gross profit of HK\$149 million (US\$19.1 million) during the period. It reported during the first quarter sales of 2.7 million mobile phones overseas.

## *Media, Gaming and Entertainment*

- **China's Ministry of Information Industry (MII) announced its launching of a training program for talented online game developers and designers, with the government body identifying the gaming college of Beijing Huizhongyizhi Tech Co. Ltd. as the first gaming talent training base under the program.** Government sources indicated that games developers are in short supply in the country. The Chinese Academy of Social Sciences predicted that the market volume of online games in China will reach 8 billion yuan (US\$1 billion) in 2006.
- **Legend Capital announced that it is funding the expansion of Shanghai-based Virtuos, one of the world's largest outsourcing services providers for the games software industry.** Legend Capital is the investment arm under the Lenovo Group owner of Legend Holdings. A top official of Virtuos stated that Legend Capital, the investment arm of the Lenovo group owner of Legend Holdings, was the only investor in its Series A shares round of financing. Legend Capital manages some US\$300 million involving three funds. According to Screendigest, a market research firm, the global demand for games outsourcing can be estimated as hitting US\$1.1 billion in 2006, and is expected to grow to US\$2.5 billion by 2010. Virtuos revealed that it is planning to use the new funding to triple the size of its teams in the next two years even as it stated that the company will also invest in further training, processes, security and IT. New Access Capital, a corporate finance advisory firm known to specialize in China, served as the adviser on the Legend Capital investment.



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## *Semiconductor*

- **Grace Semiconductor Manufacturing Corporation (GSMC) has announced that it will set up a marketing subsidiary in Japan.** The new subsidiary will be in charge of sales and client support in Japan. Earlier this year GSMC also announced that it would set up a subsidiary in the United States in line with its global expansion plan.

## *Software*

- **Lenovo Group announced that it has secured another deal with IBM, a move that will boost its software business.** Under the deal, IBM said its Global Technology Services has obtained a three-year license to use Lenovo's ThinkVantage Technologies. The deal includes the productivity software under the former IBM personal computer business that Lenovo acquired for some US\$1.7 billion in May 2005. The agreement is expected to enable the Global Technology Services of the computer giant to introduce six ThinkVantage software tools on different computers and also enhance its management of corporate customers' non-Lenovo systems worldwide. The IBM unit provides supports to millions of PCs and users with help-desk and desktop services contracts.

## *Hardware*

- **IBM said its Global Business Service (GBS), the systems integration and consulting unit, has been growing at a double-digit rate since 2004 in China, rapidly expanding its presence in banking, IT production, automobile manufacturing and energy industries.** The move is explained by the company as a strategic shift from marketing computer hardware to marketing expertise, knowledge and solutions in the China market. The company said it has focused on selling IT services in China after its personal computer sector was taken over by Lenovo in 2004, making it a competitor for other IT service providers. As a result, companies in auto, energy, and IT industries as well as the banking industry have become IBM's major customers. The three sectors – auto, energy, and IT happen to be the country's rapidly developing areas. Earlier, IBM Shanghai disclosed that the company has signed an agreement with China's government to present the Forbidden City to a global audience, through a virtual online recreation of the museum.

## *Telecommunications*

- **UTStarcom announced the signing of a contract with China Telecom Group to supply 300,000 QBOX terminals to the PAS and fixed-line operator in China.** The QBOX enables fixed-mobile convergence by allowing subscribers to use their iPAS devices as digital cordless phones. China Telecom will sell the QBOX for use with its homebox fixed-line/PAS convergence services, which is available in 24 Chinese cities. UTStarcom is an IP-based, end-to-end networking solutions and service provider. Financial terms of the deal were not disclosed.
- **Analysys International predicts that the enterprise Wi-Fi market in China will expand by 45 percent over the next four years.** The report said telecom providers have already set up about 10,000 hotspots in the Asian country; a number that is expected to expand as wireless networking and fixed-mobile convergence becomes a value-added supplement to consumer broadband service. A spokesperson for the research firm said that with the expected 3G developments in China, operators will be focusing more on FMC (Fixed Mobile Convergence) services. The statement said Wi-Fi and 3G are a good choice of China carriers in the initial phase of FMC.
- **Qiao Xing Universal Telephone, Inc. (Xing) released, on an unaudited management account basis, certain key financial data for the first quarter of 2006.** Compared with the same period of the previous year, in the first quarter of 2006, the company's net sales and gross profit increased 18

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percent and 43 percent respectively. The company said its net sales went up by 18.4 percent compared with the same period a year earlier. This increase was attributed to the following: increase in the unit selling price for CECT-brand mobile phone handsets; sales increase in its COSUN-brand mobile phone handsets; more sales to telecommunication operators and more export sales of the indoor phone business segment. Xing reported gross profit increasing by US\$3.9 from US\$9.4 million in the first quarter of 2005 to US\$13.3 million for the same period in 2006, which represents a 42.5 percent growth. Operating expenses other than stock-based compensation for the first quarter increased US\$0.3 million from 2005 to 2006, a rise ascribed mainly to an increase in staff, research and development in CECT. Qiao Xing Universal Telephone, Inc. is one of China's largest manufacturers and distributors of telecommunications products.

## Taiwan

### *Semiconductors*

- **Texas Instruments (TI) announced that it will start volume shipments of its single-chip LoCosto solution for handsets in the second half of 2006, with one or two Taiwan-based ODMs planning to start shipping handsets based on the new ultra low-cost chip this year.** A company official said that more handset makers are expected to adopt the 90nm-manufactured LoCosto chips, and the product should be the mainstream TI GSM/GPRS solution by the second half of 2007. According to sources at Taiwan handset makers, Compal Communications will ship handsets that incorporate the LoCosto chips to Motorola in the third quarter of this year, with Chi Mei Communication Systems (CMCS) to follow later. In addition, TI plans to begin volume production of its standard 3G chips by the end of this year or early 2007.

### *Hardware*

- **Lenovo Group Ltd. announced the opening of its new flagship store in Taipei 101, reputedly the world's tallest office building.** A company official said that Lenovo's decision is part of its plan to heighten its presence and enhance its share of the Taiwanese market. Lenovo Taiwan was established in the country in Aug. 2005. It is No. 3 in the world market, with Dell Inc. and Hewlett-Packard occupying the No. 1 and No. 2 slot, respectively.
- **DVD disc maker Optodisc Technology said it will extend its production to assemble DMFC (direct methanol fuel cell) modules.** Optodisc disclosed that it has planned to enter either the solar cell or fuel cell markets; it finally selected assembly of DMFC modules. The company has set up an R&D staff of 10 members for the new business operation and will produce DMFCs initially for use in electric bicycles. DMFCs are also suitable for use in cell phones, PDAs and laptop PCs.
- **Inventec Appliances announced that it will invest about US\$4 million to establish a wholly-owned subsidiary to set up an assembly plant in the Czech Republic in order to meet requirements of its OEM clients.** The subsidiary is tentatively named Inventec Appliances (Czech) s.r.o., according to the filing. The company spokesperson said the plant is scheduled for completion by the end of this year and will commence commercial operations in early 2007. The new assembly production line will mainly supply products to Apple Computer. Inventec Appliances reportedly makes video iPods for Apple. In a separate development, Inventec and Mitac International are reportedly completing the move of their server production lines to China by the end of 2006, following the steps of other major Taiwan-based server manufacturers such as Quanta Computer, Micro-Star International (MSI) and Arima Computer.

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## Hong Kong

### *Mobile/Wireless*

- **Hutchison Whampoa announced its signing of an agreement with US-based online service provider Yahoo! to offer its portfolio of mobile services to 3G customers worldwide.** Under the terms of the agreement, the two companies will work together to offer key Internet services such as Yahoo! Search, Yahoo! Mobile Web, Yahoo! Messenger, Yahoo! Mail, and Yahoo! Go for Mobile over Hutch's 3G networks, with further services planned in the future. The Hong Kong-based company said it has plans to launch the first services in the UK this summer, with other key markets to follow, including Italy, Ireland, Austria, Sweden, Denmark, and Australia. Subsidiary Hutchison Telecom International plans to launch similar Yahoo! mobile applications for customers in Hong Kong and India. In a separate development, Hutchison Telecommunication International Ltd. disclosed that it has agreed to buy an additional 5.1 percent stake in its Hutchison Essar Ltd. unit from Hinduja TMT Ltd. for US\$450 million. Once completed, the acquisition will boost Hutchison's stake in Hutchison Essar, an Indian mobile-phone service provider, to 67 percent.

### *Software*

- **Fortinet, a provider of multi-threat security solutions announced the opening of its regional headquarters in Hong Kong.** The company said the office will spearhead and co-ordinate the sales and support of the company's operations in the Asia-Pacific region. This includes Australia, Japan, South Korea, Singapore, Malaysia, Thailand, the Philippines, India, Taiwan and mainland China. With headquarters in California, Fortinet has customer support, development and sales facilities throughout the America, Europe, and Asia. The company sells security solutions to counter network and computer security threats, and subscription update services through its network of channel partners worldwide.

### *Telecommunications*

- **PCCW Ltd. disclosed that it may offer a HK\$7 (US\$0.9) per share special dividend to get shareholder approval for the proposed sale of its assets.** The statement indicated that PCCW will decide which of the two bids it will take within the next ten days. PCCW said it has received two bids for all its media and telecoms assets from Macquarie Bank Ltd., which was joined in its bid by News Corp., and Texas Pacific Group. The sale, however, has received objections from key PCCW shareholder, State-controlled China Network Communications Corp. (China Netcom), as well as from the Chinese government, which are not keen about foreigners holding such large stakes in strategic assets such as telecom and media. It has been reported, too, that, representatives from the Assets Supervision and Administration Commission and from the Ministry of Information Industry have plans to visit PCCW to discuss the asset sale.

### *Information Technology*

- **Reports said Octopus Cards have been cleared to export its smart card technology for cashless transactions to Shenzhen and Macau.** The development indicates that Octopus is going beyond Hong Kong, where 13.5 million cards are in circulation and are used for different types of transactions. For Macau, Octopus has received approval from the Hong Kong and Macau monetary authorities to implement its technology. Octopus said it is currently looking for suitable retailers and businesses even as a company official said that it is initially targeting Macau companies with existing Hong Kong operations. Octopus said it is not looking to applying its technology in casinos, as it is not familiar with gambling activities. In Shenzhen, Octopus is limited to the retail business and is currently signing up



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retailers. Octopus said the smart card will be operational both in Macau and Shenzhen before the end of 2006. Octopus is teaming up with China Union Pay, the network of mainland banks that support electronic payments, to settle its Shenzhen transactions.

## Singapore/Malaysia/Philippines/Indonesia

### *Information Technology*

- **Singapore announced that it has drawn a blueprint for transforming itself into an intelligent nation and global city in a decade.** The blueprint is dubbed “Intelligent Nation 2015” (iN2015), and is Singapore's latest 10-year masterplan in its infocomm development program. Under the iN2015, which is expected to cost the government multi-billion U.S. dollars to realize, Singapore said it will build two broadband networks nation-wide, namely a wired network and a wireless network. The wired network, also known as the Next Generation National Broadband Network (NBN), will connect all homes, schools and businesses in Singapore with ultra-high speeds from 100 megabits per second (Mbps) to more than 1 gigabit per second to support an increasing demand for such applications as high definition Internet protocol television and video conferencing. Scheduled to be completed by 2012, the project has attracted 33 companies, including Singapore Telecommunications (SingTel) and international giants Motorola and Siemens, to submit building concepts with estimated cost of between S\$500 million (US\$313 million) to S\$5 billion (US\$ 3 billion).

### *Telecommunications*

- **Singapore Telecommunications Ltd (SingTel) announced that it is targeting double-digit earnings growth in the near future, with the company stating that its Singapore business is likely to produce free cash flow and operating revenue that are comparable with those for the financial year 2006.** The company said Singapore Telecommunications' regional mobile communications associates were also expected to continue to deliver double-digit earnings growth. Given this target and development, cash dividends from associates were expected to increase. Singapore Telecommunications reiterated its proposal to return S\$2.3 billion (US\$1.9 billion) to shareholders via a capital reduction involving the cancellation of about five per cent of the company's total issued share capital. Singapore Telecommunications reported a group net profit of S\$4.1 billion (US\$3.5 billion) for the year ended March 31, 2006, a figure that represents a 27.4 percent increase. Optus, which is owned by SingTel, reported an annual net profit of US\$593 million for 2005/06, compared to US\$1 billion in the previous year.

## United States/Canada

### *Internet*

- **Dell announced the launching of its new service plan that will utilize Google’s mapping technology. The service is called “Platinum Plus” and allows Dell customers to use the 3D mapping program of Google Earth Pro.** The service enables users to see in real-time the company’s response to technical support concerns worldwide. Earlier, Dell signed a deal to provide Google with customized computer servers that the company can sell to corporate customers.
- **Google disclosed that it will unveil a payment service, called “Checkout” that aims to make online shopping more convenient and give advertisers incentive to invest in the Internet search leader.** Analysts see the move as Google directly competing with eBay, one of its biggest advertisers.

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eBay runs PayPal, which is considered as the Internet's leading payment service. Google, however, said it did not view its service as providing competition to PayPal's service. Starbucks and Buy.com have already signified their interest in Google's offering by signing up for the new service. The two companies also accept PayPal's service. Google said it has been testing "Checkout" for almost a year. On record, Google posted an earning of US\$1.5 billion on revenue of US\$6.1 billion last year; eBay reported US\$1.1 billion on revenue of US\$4.5 billion.

## *Software*

- **EMC announced that it has agreed to the acquisition of RSA Security for about US\$2.1 billion in cash, a deal that saw analysts comparing it to the merger of Symantec and software specialist Veritas in a deal valued at US\$13.5 billion in 2005.** The acquisition is also seen as adding to EMC an identity and access management solutions and encryption as well as key management software. Under the agreement, EMC will pay US\$28 per share in cash in exchange for each share of RSA and the assumption of outstanding options, for a total purchase price of slightly less than US\$2.1 billion. The merger is seen as further speeding up the integration of security into information infrastructure.
- **Red Hat, the leading distributor of the open-source Linux operating system, reported about 11 percent rise in its first-quarter profit even as the results fell short of the analysts' forecasts.** Red Hat said it earned some US\$13.8 million, with its revenue posting a 7 percent increase to US\$84 million from last quarter and 38 percent from a year earlier. A top official ascribed the results to new accounting rules and a higher tax rate. Red Hat said its subscription revenue went up by 7 percent to US\$71.5 million, from the previous quarter and 45 percent from a year ago.

## *Media, Gaming and Entertainment*

- **Square Enix, Inc., the publisher of Square Enix interactive entertainment products in North America, announced that FINAL FANTASY XII will be available in stores October 31, 2006, exclusively for the PlayStation2 computer entertainment system.** The company said that, in addition, a limited run of the FINAL FANTASY XII Collector's Edition will be available exclusively at GameStop and EB Games stores, as well as through the e-commerce sites GameStop.com and EBgames.com. Housed within special packaging, the bonus DVD offers Japanese and American promotional trailers, in-depth developer interviews, an art gallery and featurettes focusing on highlights of the FINAL FANTASY franchise. With headquarters in Tokyo, Japan, Square Enix Co., Ltd. (Square Enix) develops, publishes and distributes entertainment content including interactive entertainment software and publications in Japan, North America, Europe, and Asia. Square Enix, Inc. is a wholly owned subsidiary of Square Enix Co., Ltd. with offices in California and Washington. Headquartered in Grapevine, TX, GameStop Corp. is the world's largest video game and entertainment software retailer. The company also owns two e-commerce sites, GameStop.com and EBgames.com, and Game Informer magazine, a leading video and computer game publication.
- **U.S. Warner Music Group said it has put up a bid for 2.5 billion pounds (US\$4.5 billion) for Britain's EMI Group Plc, a move that is seen by industry observers as an attempt to take control of the company that has been pursuing it.** Analysts also note that earlier, Warner Music, the world's fourth largest music company, rejected a US\$4.2 billion takeover approach from its larger rival EMI, the latest move in a long-running quest to combine the companies.
- **Univision Communications, the largest Spanish-language broadcaster in the U.S., said it has accepted an offer of about US\$12 billion from a group, which included Madison Dearborn Partners, Providence Equity Partners, Texas Pacific Group and Thomas H. Lee Partners.** The

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source said the group edged out the competition coming from another group that included Grupo Televisa. Under the deal, the group acquired two TV networks – Univision and TeleFutura – with some 80 percent of the fastest-growing US television market, dwarfing rivals such as NBC Universal's Telemundo and TV Azteca's Azteca America. Sources said the auction almost stalled when Mexico City-based Televisa, the world's largest Spanish-language broadcaster, lost four of its partners and failed to pull together an offer by deadline. Carlyle Group, Blackstone Group and Kohlberg Kravis Roberts left before the Televisa bid was made amid disagreements over how much to offer. Venevision Investments of Venezuela also dropped out of the bidding contest.

- **Two cable giants – Comcast and Time Warner – disclosed that they have gained court approval to purchase bankrupt ISP, Alephia Communications, in a deal worth US\$17.6 billion in cash and stock.** Analysts are saying that if the deal is completed by next month, this will boost Time Warner's total number of subscribers by 32 percent to 14.5 million, while Comcast's numbers will be up by 8 percent to 23 million.
- **Warner Bros announced that it has begun selling its movies and TV shows over the Internet video site Guba.com, a move that makes it the second deal the studio has made to distribute content over web sites.** In the past, web sites had the reputation of offering pirated video copies. Guba.com has featured mainly user-generated video clips for free or as part of a subscription. Some of these clips were taken without authorization from movies or TV shows. Guba has since agreed to start filtering copyright and obscene content. After conducting dialogs with the Motion Picture Association of America (MPAA), Guba has also set up security measures to prevent piracy. Guba is one of the increasing numbers of web sites that offer short videos contributed by users who record song parodies and other short video content. No business model has yet been created out of these activities. Under the offering, viewers can also download permanent copies of shows. New films will become available the same day the DVDs are released in stores. TV shows will sell for US\$1.7 per episode. The service will allow users to stream the shows over a home network and transfer them to a portable device using Windows media software.

## *Semiconductors*

- Intel announced its decision to sell its processor business that supplies cell "smart" hand-held devices to U.S.-based company Marvell for US\$600 million. In a joint statement with Marvell, the company said the spin-off would enable it to concentrate on its core businesses. The company's communications and application processor business develops and sells processors for a variety of smart phones and personal digital assistants. Its customers include Motorola, Palm, and Research in Motion, the Canadian group known for its Blackberry device. Intel identified those core activities as covering processors for mobile computing, including Wi-Fi and WiMAX broadband wireless technologies. The deal is expected to be completed in four to five months, subject to regulatory approval. Intel said it expected to be paid in cash for the business but also has the option to receive up to US\$100 million, a sixth of the price, in Marvell shares. Marvell is a developer of storage, communications and consumer computer chip solutions, including storage networking.

## **Europe**

### *Telecommunications*

- **The European Commission revealed its proposal to draft new rules for the telecommunications sector aimed at enhancing competition even as it appeared to point to heavier regulations.** The

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report said the commission recognizes that stronger cross-border competition and better access to spectrum are imperatives for growth and maintaining competitive advantage of the region in the field of telecommunications. The commission does not expect new regulations to be in place before 2010. The commission said it is looking to loosening the hold of former state-monopolies over infrastructure in order to level the playing field for newcomers. The commission has also proposed a European telecommunications agency tasked with enforcing competition and an agency to manage radio spectrum in the 25-nation bloc.

## *Media, Gaming and Entertainment*

- **Gaming Transactions, Inc., a developer and provider of online games and services for the online entertainment and gaming industries announces its retention of Prestige Procurement and Networking Services (Prestige Asia) to manage the Global Investor Relations program.** The Company's central licensed games portal is a destination online gambling property where players may participate in a number of gambling and online gaming fixtures. The portal is licensed to Keno.com Ltd. (UK); a wholly owned subsidiary of Gaming Transactions Inc. Gaming Transactions Inc. said it has always viewed Asia as a prime market. The online gaming market in China is expected to grow by 28 percent this year with revenues reaching US\$970 million according to new figures from iResearch. This would put China just ahead of South Korea's US\$960 million in online game revenues. Prestige Asia is owned 100 percent by Asian Asset LLC the major shareholder of Buzz Technologies Group.

## *Mobile/Wireless*

- **Nokia and Qualcomm are reportedly at odds over royalties over Qualcomm's CDMA technology.** Earlier, Nokia announced it would stop negotiating with Japan's Sanyo to establish a joint venture to strengthen its CDMA business. It cited Qualcomm's excessive royalties demands, which it said would make it difficult to make profits in emerging markets such as India and China. Nokia said it has also filed a complaint against the U.S. business with the European Commission for charging excessive royalties. Qualcomm early this month responded with a suit against the mobile phone maker at the U.S. International Trade Commission for six patent violations.

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Other Economic Data						
Currency Exchange Rates						
Currency	Units	Current Rate (on 6/30/06)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change Last 12 Mth.
Japanese yen	¥/US\$	114.42	-1.84%	-2.83%	11.49%	3.16%
Hong Kong dollar	HK\$/ US\$	7.7663	-0.03%	0.15%	-0.08%	-0.06%
Chinese renmenbi	RMB/ US\$	7.9943	-0.10%	-0.94%	-3.41%	-3.41%
Singapore dollar	S\$/ US\$	1.5828	-1.04%	-4.82%	-3.00%	-6.10%
South Korean won	KRW/ US\$	948.73	-0.77%	-6.07%	-8.35%	-8.29%
New Taiwan dollar	NT\$/ US\$	32.3775	-1.14%	-1.36%	2.01%	2.41%
Australian dollar	US\$/A\$	0.7423	1.43%	1.30%	-4.87%	-2.64%
New Zealand dollar	US\$/NZ\$	0.6083	0.03%	-11.03%	-15.30%	-12.78%
Philippine peso	PHP/ US\$	53.135	-0.22%	0.09%	-5.50%	-5.07%
Euro	US\$/€	1.279	2.27%	7.95%	-5.63%	5.64%
British pound	US\$/£	1.848	1.70%	7.28%	-3.64%	3.17%

Fixed Income Prices and Yields							
Note	Currency	Current (on 6/30/06)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	89.6406	5.25%	89.8750	5.17%	90.0625	5.16%
Japan 30-year	¥	99.6600	2.52%	100.2570	2.49%	102.4140	2.36%
Hong Kong 10-year	HK\$	99.8332	4.09%	99.7766	4.01%	99.7213	3.88%
China (06/16)	US\$	113.3769	3.12%	114.7400	2.97%	115.0300	2.95%
Singapore 10-year	S\$	95.9430	3.65%	97.4100	3.48%	96.4450	3.57%
South Korea 20-year	US\$	104.2285	5.54%	103.3950	5.60%	105.0760	5.45%
Australia 15-year	A\$	151.7070	2.51%	149.7220	2.53%	151.2780	2.42%
New Zealand (12/17)	NZ\$	101.5688	5.88%	101.2380	5.85%	101.6210	5.81%
Philippines 20-year	PHP	103.1963	10.98%	98.0310	11.49%	90.7033	12.47%
India 30-year	INR	87.8000	4.34%	86.0000	8.73%	90.4417	8.27%
UK 30-year	£	98.4130	4.34%	98.5250	4.34%	99.8933	4.26%
Germany 30-year	€	94.8100	4.31%	94.1500	4.35%	96.3710	4.21%

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