

IRG WMR



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

Week of 16 July - 22 July, 2006

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Equity Market Indicators					
Index	Closing Level (07/21/2006)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change 2005 Low
S&P 500	1,240.29	0.3%	-0.6%	2.3%	9.0%
Dow Jones Industrial Avg.	10,868.38	1.2%	1.4%	0.8%	8.5%
Dow Jones Tech. Index	337.00	-0.4%	-10.2%	-5.2%	7.9%
Dow Jones Telecom. Index	207.92	1.5%	3.1%	-4.5%	5.5%
NASDAQ Composite	2,020.39	-0.8%	-8.4%	-7.1%	6.1%
The Street.com Net	192.72	-1.0%	-8.4%	-7.5%	10.4%
Japan Nikkei 225	14,821.26	-0.2%	-8.0%	29.0%	36.9%
JASDAQ	91.79	-3.1%	-29.5%	1.6%	1.3%
Japan Mothers	1,183.32	-9.2%	-53.5%	-31.3%	-31.9%
Korea KOSPI Composite	1,271.33	1.3%	-7.8%	41.9%	46.0%
Korea Kosdaq	551.63	-1.4%	-20.2%	45.0%	41.3%
Taiwan Stock Exchange	6,420.01	-0.1%	-2.0%	4.6%	14.0%
Singapore Straight Times	2,371.37	0.3%	1.0%	14.8%	15.0%
Hong Kong Hang Seng	16,464.18	2.0%	10.7%	15.7%	23.3%
Hong Kong GEM	1,140.37	-0.7%	13.2%	15.4%	32.0%
China Shanghai (A-Share)	1,750.69	0.0%	43.4%	31.6%	64.8%
China Shenzhen (A-Share)	446.73	0.9%	54.0%	35.9%	82.6%
China Shanghai (B-Share)	92.44	1.7%	49.1%	22.2%	80.1%
China Shenzhen (B-Share)	293.34	1.6%	50.0%	33.5%	57.3%

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
7/21/06	Qimonda AG [QI.US]	Semiconductors	US\$1,134	Provides DRAM products for the PC and server markets	Credit Suisse/ JP Morgan	ABN Amro/ Citigroup/ Deutsche Bank/ Hypoverenis bank
7/17/06	Global Star Inc. [766857Z.US]	Telecommunications	US\$100	Provides voice and data communications via satellite	Wachovia Securities	

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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 7/21/06	% Change From Offer
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 7/21/06	% Change From Offer
7/21/06	Extended Computer Environment [081500.KS] (KOSDAQ)	Offers solutions such as downloading contents offered by cellular phone companies and wireless internet	US\$6.3	KRW7,500	KRW6,850	-9.4%
7/19/06	Advanced Analog Technology [3438.TT] (GRETAI)	Designs power management integrated circuits	US\$13.8	NT\$195	NT\$269	27.5%
7/19/06	Bit-Isle Inc. [3811.JP] (Hercules)	Operates an Internet data center, providing space rental services for servers and network equipment, along with internet connectivity, server maintenance and management	US\$19.3	¥550,000	¥600,000	16.7%

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
7/14/06	Neosian Co. Ltd. [039350.KS]	Develops and distributes entertainment software using 3-D technology. The company produces 3-D simulation software for military and geographical use	7/19/09	US\$2.1	265 shares	6/19/09

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International

Hardware

- **IDC reported that computer sales in Asia Pacific, excluding Japan, registered an 18 percent increase year on year to 11.6 million units.** The report said the Lenovo Group increased its lead over global rivals Dell and Hewlett-Packard in personal computer sales across Asia-Pacific, excluding Japan, in the second quarter, performance the research group attributed to strong demand in China. The world's third-largest computer maker registered 27.9 percent growth in its shipments year on year in the second quarter, which increases its market share to 20 percent from 18.4 percent a year ago. HP reported a 17.4 percent year on year growth in Asia-Pacific, excluding Japan, to maintain its 12 percent market share as the region's No. 2 personal computer supplier. The two companies have posed a challenge to Lenovo's major presence by way of aggressive price-cutting and marketing to lower-tier cities across China.

Internet

- **According to In-Stat, the Asia Pacific region is leading the global revolution of IPTV in infrastructure deployments, applications development, and subscriber adoption.** The study said the region's broadband penetration and regulatory support helped to foster the fastest-growing IPTV market in the world. The report also predicted that the subscriber base for IPTV in the region would reach 39 million, with revenues reaching US\$8.1 billion by 2011. The research firm said that carriers and service providers are seen as bundling the service under their triple play bundled offerings.

Japan

Mobile/Wireless

- **Faith, a firm that provides digital content distribution solutions for mobile terminals, announced its partnership with InterVideo, a developer of DVD software.** Under the alliance, the two companies said they will jointly develop cutting-edge solutions for distributing audio and visual data, as well as a new platform for entertainment, targeting mobile terminal manufacturers, PC makers, cell phone carriers, and content providers. The partnership will work on activities that will be done first in Japan and Europe, and later see global expansion.
- **NTT DoCoMo announced its development of the Sound Leaf bone conduction receiver microphone for use with mobile phones.** With the product, the sound is communicated through vibrations that are transmitted from the skull to the cochlea in the inner ear. The new receiver microphone enables users to hear calls more clearly in noisy places, and works as an effective communications tool for the elderly and hearing impaired. The Sound Leaf enables a continuous talk time of 25 hours. NTT DoCoMo Inc, Japan's biggest mobile-phone operator, is in talks to form alliances with Google Inc and Yahoo Japan Corp by October. The company said it has closed agreements for search services from nine companies including Microsoft Corp, Japan's Livedoor Co and Rakuten Inc, which will be added to its mobile offerings. Analysts are saying that Yahoo Japan's alliances with Google will enable it to maintain its market lead over rivals KDDI Corp and Softbank Corp, two firms that are aiming to offer online services to mobile phone users.
- **The country's Internal Affairs and Communications Ministry disclosed that the value of mobile phone-based commerce in Japan totaled 722.4 billion yen (US\$6.2 billion) in 2005, a**

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figure that represented a 39 percent growth from the previous year. The report said the growth reflected the popularity of ring tone downloads and Internet auctions among mobile phone users. The value of traded digital content, including ring tones, video games and video clips, increased 21 percent to 315 billion yen (US\$2.7 billion). Ring tone transactions went up almost 3 percent to 56.2 billion yen (US\$483 million). Turnover of Internet auctions, hotel booking, stock brokerage services and other transactions increased 57 percent to 407.4 billion yen (US\$3.5 billion). The ministry also said the number of people accessing the Internet via cell phone handsets and other mobile devices in late 2005 exceeded that of people connecting from personal computers.

- **Konami Digital Entertainment, Inc. announced that it is entering into an alliance with TOKYOPOP, which is considered the No. 1-manga (comic magazines) company in the U.S., to launch a series of mobile games starting with the popular manga East Coast Rising.** The game is expected to be available soon. Konami Corporation is a leading developer, publisher and manufacturer of digital entertainment properties, specializing in the home video game market. TOKYOPOP has a record of being a leading youth-oriented entertainment brand and an innovator of manga creation, with a revolutionary artistic vision that transcends countless platforms.

Internet

- **Neowiz Japan announced its acquisition of the publishing rights for MMORPG “Dekaron” in Japan.** The company said the game will be serviced through Neowiz’s Japan game portal, Gamechu. Industry observers note that Neowiz has been boosting its game line-up since it opened its game portal about three months ago. The game is presently being serviced in South Korea since April.
- **J-Stream, Japan's leading streaming service provider announced that it has initiated a service to help companies set up their own broadcasting sites on the web.** The basic service program includes creating business plans, building a website, making promotional videos, providing net channels, creating program content, managing broadcasting services, and distributing programs over the Internet. J-Stream offers optional services including viewer system management and studio construction support.
- **E Mobile, a mobile operator in Japan, announced that it has selected Huawei, a provider of next generation telecommunications network solutions, as a key 3G equipment supplier for the roll out of its new UMTS and high speed downlink packet access (HSDPA) network.** Under the agreement, Huawei will deploy the country’s first all IP-based HSDPA radio access network initially starting in several larger metropolitan areas such as Sendai and Sapporo. The network is expected to support the roll out of E Mobile's nationwide UMTS/HSDPA network in the coming years.

Ventures/Investments

- **Sources indicated that Toshiba Corp. has agreed to form a consortium with Marubeni Corp. and two other firms for its US\$5.4-billion acquisition of U.S. nuclear plant builder Westinghouse Electric Co.** The two other firms are Ishikawajima-Harima Heavy Industries Co. of Japan and engineering firm Shaw Group Inc of the U.S. Of the total acquisition costs, worth 630 billion yen (US\$5.4 billion), Toshiba plans to pay 360 billion yen (US\$3 billion), giving it a 57 percent stake. Marubeni and Shaw will each contribute 125 billion yen (US\$1 billion), or 20 percent, while the remaining 20 billion yen (US\$172 million) is to be paid by Ishikawajima-Harima. Sources said that Toshiba earlier hoped to limit its stake to 51-53 percent. After talks with its partners, however, it decided to raise its investment by some 30 billion yen (US\$257.8 million) and take the 57 percent

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stake. The consortium has to wait for approval from U.S. and European antitrust authorities before it can complete the acquisition procedures by the end of September.

Software

- **MediaNEC announced the deployment of a barcode decoder software NW-7 Reader for camera phones.** The NW-7 is a barcode used for applications including parcel delivery, library card and membership card management, and blood management for blood banks. The device is useful for camera phones that are portable because they allow users to utilize them for other applications including tracing products and accessing campaign sites without having to enter URLs. MediaSeek holds the largest share in the mobile phone barcode decoder market.

Information Technology

- **IBM Japan in collaboration with Connect Technology announced the development of an electronic clipping system.** The system uses invisible 2D barcodes printed on paper to integrate information from paper and digital data such as information provided on Internet sites. The company said the new system adds an invisible digital layer to printed materials, enabling the printed materials to be used like a portable site. Invisible 2D barcodes that store digital data, are printed on paper using invisible ink. The barcodes are then extracted from the paper by an image processing application. Since invisible ink is used, 2D barcodes can be printed over paper prints, not restricted by original print designs and layouts. Invisible barcodes can be printed on each magazine or paper article, allowing users to clip and buy articles instead of magazines and papers.

Korea

Internet

- **Neowiz announced that FIFA Online, an online soccer game it has developed with EA, exceeded 180,000 concurrent users.** The company said it predicts that the game will surpass 200,000, ascribing the expected growth to students entering their summer vacation and allowing more time to spend on the game. In a separate report, Neowiz announced that it would start closed beta service of the MMO driving game, "Ray City". The game replicates a 100-kilometer stretch of major roads and some 5,000 buildings in Seoul.
- **CJ Systems announced that it has secured the distribution information portal system order from the Korea Culture and Content Promotion Agency.** The project is aimed at setting up a one-source multi-use environment, which is expected to enable culture and content firms get easier access to distribution information. Under the deal, CJ Systems said it will set a long-term service strategic plan, develop a portal homepage offering marketplaces and communities for content producers and distributors at home and abroad.
- **NHN, the country's top Internet and portal game company, announced that it has opened a localized online game portal site in the U.S.** The move marks the first time that a South Korean firm has opened a game portal outside of Asia and is seen as part of the company's globalization plan. NHN has been offering similar services in China and Japan. The U.S. remains the most rapidly growing market of the PC-based online games.

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Media, Entertainment and Gaming

- **ArenaNet, developer of the world's leading subscription-free online role-playing games "Guild Wars" and Guild Wars Factions, and NCsoft Corporation, considered the world's leading developer and publisher of online computer games, announced the title of the next game in franchise, Guild Wars Nightfall.** The companies said the game has entered the beta testing stage. In a separate development, Webzen said it has terminated its project to develop "Endless Saga" for PlayStation3, it would have been first game been prepared for the PS3 by a South Korean developer. A top official of Webzen said the loss incurred was minimal as the project was terminated at an early stage.
- **The country's Korea Culture and Content Promotion Agency (KCCPA) announced that it would release up to 9 million won (US\$9,500) for a comic book series developed for new media such as mobile, DMB, Wi-Bro, and IPTV.** DMB-enabled cartoon series were launched in 2005, but the present program marks the first time that a government agency provides support for the adoption of comic books in areas of new media. KCCPA said that it plans to select five books, with the agency intending to evaluate candidates on marketability and appeal to the public, chances of success in conversion and planning.

Mobile/Wireless

- **There are signs of intense competition in the country as wireless operators rush to deploy new wireless Internet platforms designed for next-generation offerings, with mobile operation systems assuming the role of platforms.** LG Telecom said it is considering adopting "UI-1" developed by Qualcomm, while KTF announced that it has decided to renew its contract with Qualcomm for its "BREW" platform. SK Telecom is working on its proprietary brand "T-PEK." By next year, mobile phones installed with Linux OS are expected to be available on the market. Given this development, analysts are asking the government, which has been promoting the WIPI standard in order to ensure interoperability of content between operators to consider some revision in its wireless Internet standard strategy.
- **Samsung announced the release of a smart phone, the SGH-1750, made for Middle Eastern consumers.** The device enables users in the region to write text messages in Arabic on a touch screen with a handwriting function. The new model is Windows-based and is the first phone fitted with an English-to-Arabic translator function. It has also a built-in prayer clock, e-mega pixel camera and file viewer.
- **The country's Ministry of Information and Communication (MIC) said it has stripped LG Telecom Ltd. of its 3G service license after the company abandoned its plans to offer the services.** With the decision, the ministry also indicated that the company's chief executive will have to resign, as stipulated by the law. With the license removed, the country's smallest cell-phone operator will have to pay up to 100 billion won (US\$105.3 million) to the government. LG Telecom has obtained the license in 2001 for 1.1 trillion won (US\$1.1 billion) and has paid about 320 billion won (US\$337.1 million) at present. The fee is expected to affect the company. LG Telecom released a statement expressing its regrets, claiming that its failure to pursue 2.0 GHz-based 3G services can be ascribed to slow technical development.
- **XCE, a mobile solution company announced that "XVM", a wireless platform exclusively supplied by the company, has passed the TD-SCDMA commercial test.** The test for the latest 3G mobile communication standard of China is a total solution test conducted by the four largest communication companies in China, which included China Mobile and China Telecom before

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commercialization of TD-SCDMA. The company expects that TD-SCDMA terminals with the XMV platform to be sold across China.

Semiconductors

- **Hynix Semiconductor announced that its quarterly profit went up to 324.4 billion won (US\$341.8 million), compared with 238.4 billion won (US\$251.2 million) in the same period last year.** The company manufactures DRAM chips used in personal computers as well as NAND flash memory chips used in digital music players and digital cameras. Hynix said its sales posted a 28 percent growth to 1.5 trillion won (US\$1.5 billion). Hynix was almost dissipated as it faced huge debts in 2001 after chip prices plunged amid a severe downturn in the industry. Creditor banks bailed it out via several debt-for-equity swaps. In July last year, Hynix completed the debt-restructuring program ahead of schedule. Last month, the company and its creditors sold about 1.4 trillion won (US\$1.4 billion) in shares. With that deal, creditors' stake decreased to 41 percent from 50.6 percent, with the number of creditors declining to nine from about 49.

Telecommunications

- **SK Telecom announced that it will invest some 193.5 billion won (US\$202 million), in a fund the company said it will use to upgrade its cellular network.** SKT said it will make the investment somewhere between July and December. The company revealed that it has upped its capital expenditure to 1.6 trillion won (US\$1.6 billion) this year from 1.5 trillion won (US\$1.5 billion) in 2005. Companies in the country have to disclose investment plans that go beyond 100 billion won (US\$105.3 million). In a separate development, SK Telecom announced the launching of its new brand for its mobile services, calling the new brand "T". According to the company, the letter stands for Telco, Technology, Top and Trust. The company said that in the future, all of SK Telecom's major services will use the "T" brand and other brands will eventually be merged into the "T" brand.
- **Powercomm announced that it has officially changed its name to LG Powercomm, with the shareholders approving the name change during a shareholder meeting.** The company, which will be using the LG symbol, said it hopes to attract 1.3 million subscribers by the end of this year and 2 million subscribers by next year. Also, in 2006, LG Powercomm said it aims to initiate a TPS (Triple Play Service) that will allow the convergence of voice calls, broadband and broadcasting. The company is targeting sales of 1 trillion won (US\$1 billion) in 2007.
- **The Ministry of Information and Communication (MIC) disclosed that a total of 103 broadcasting firms across the country, including 70 cable system operators (SOs), 9 repeater operators (ROs) and 24 network operators (NOs) were named to provide backbone carrier service.** MIC said it has given permission for broadcasting firms such as T-Broad, CNM Communication, HCN, CJ Cable, Curix and One Media to join the existing broadband Internet backbone carriers like KT, Hanaro Telecom and Powercomm. Under the agreement, the companies will not be allowed to bundle cable broadcasting and broadband Internet offerings. They must register policies on prices and discounts if they push for bundling. MIC said the companies must keep separate bookkeeping for communications and broadcasting service and set consumer protection measures. Companies are to maintain mutual access between operators for seamless service.

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China

Internet

- **Telecom Communications, Inc. announced its subsidiary, 3G Dynasty Inc. (3G) has unveiled plans to offer 23 new movies from Hong Kong to the largest online video blog web site, blogobl.com, in China.** Under the deal, the 23 new movies will come together with a video on demand library of more than 10,000 hours of programming. 3G said it will offer subscribers of channel partners in real-time, with each operating a companion VOD service to internet video for 24 hours after their initial live airing. Telecom Communications, Inc. (TCOM) is a Total Solutions Provider that offers Integrated Communications Network Solutions and Internet Content Service in universal voice, video, data, web and mobile communications for interactive media applications, technology and interactive multimedia communications.
- **The number of Chinese Internet users registered 123 million at the end of June, a figure that represents a 19.4 percent growth over the same period last year, according to the China Internet Network Information Center (CNNIC).** The report said that as the number of Chinese Internet users grew, so had the number of users with broadband Internet connections, which posted a 45.3 percent growth over the last year. At the end of June, 77 million Internet users logged on with broadband Internet connections, CNNIC said. By comparison, CNNIC reported that just over half of Chinese Internet users had broadband access at the end of 2005.
- **Google announced its selection of Fujian Wangshang Network Technology Industry Company as an agent that will sell Google AdWords services in the Fujian Quanzhou area.** The move is a continuation of Google's system of setting up low-cost and efficient network marketing and promotion system for Chinese enterprises. These companies, especially the small and medium enterprises, have used Google's marketing system to promote their merchandize to Chinese and international customers. Observers see the move as an expansion of Google's reseller program.

Mobile/Wireless

- **Sports-Stuff.com Inc., a publisher and distributor of SMS alerts, mobile web sites, ring tones and mobile video games for the sports and entertainment industry, announced a distribution agreement for its Evelyn Ng ring tone and mobile web portal in China.** The deal will focus on an Evelyn Ng ring tone produced by Sports-Stuff within a new poker video game being developed primarily for the mobile market in China. From the game, users will also be guided to purchase additional Evelyn Ng ring tones through Sports-Stuff's mobile web portal. Revenue to Sports-Stuff will be generated primarily through advertising fees from the web portal.
- **China Mobile registered a 2.3 percent in its number of subscribers for the first six months compared with a year ago.** The operator posted an additional 4.4 million subscribers last month for a total of 273.7 million subscribers, a growth it attributed to new local and long-distance promotional rates. A top company official said China Mobile contributed some 79.6 per cent of last month's total of new subscriptions nationwide even as that figure for the month was its weakest. China Mobile said it saw an addition of 920,000 lines for a total of 218.7 million, which was below its monthly average of 1.4 million, a figure representing a decline of 29 percent from the 1.3 million lines it added in May. In a separate development, China Unicom registered its total for the first half of 135.1 million customers. The company, which manages both the GSM and CDMA networks, reported an additional 838,000

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GSM customers for the month, down 9.8 percent from May and gained 301,000 CDMA customers, down 3.5 percent from May.

- **China Mobile announced the launching of M.Music, a wireless music club, aimed at serving a one-stop music purchasing and entertainment platform.** The offering is composed of services such as music downloads and sharing for the company's registered mobile phone users. The company said that income from its music-related services has contributed about one-third of the total income of its Monternet service. A top official of the company said the launching of the music club is part of its strategies to help promote the rapid development of the domestic wireless market.
- **Alcatel said it has been selected by the Shanghai government to deploy its advanced radio-based signaling system, the Seltrac radio communications-based train control (CBTC) solution, for the city's new metro line.** The system, which includes a wireless data communication network, is seen as enabling Shanghai Metro to operate trains with greater frequency and provide passengers with safer and more efficient service. Shanghai Shentong awarded the contract to the consortium led by Alcatel Shanghai Bell, Alcatel's flagship Chinese company.

Media, Gaming and Entertainment

- **China.com was reportedly planning to spin off its gaming subsidiary 17game. Company officials were quoted as saying there were no decisions yet, which was interpreted as playing down the media reports that said it will list the unit abroad next year.** Reports have stated that China.com would list 17game in the UK in February, a choice seen as strategic. Its rivals, Shanda Interactive Entertainment and the The9 Ltd. are both NASDAQ-listed firms, a situation seen as limiting the amount of funds if 17game opts to list there. 17game operates Yulgang, an online role-playing game developed by a South Korean company. The game is operated under a free-to-play model.

Software

- **CDC Corporation, a leading provider of enterprise software solutions to medium and large enterprises announced increased earnings estimates for full year 2006, with the revised estimated total revenues placed in the range of US\$300 million to US\$305 million and adjusted net income in the range of US\$31.6 million to US\$32.8 million.** In a separate development, Onyx Software released a statement saying its board of directors has made a decision to recommend to shareholders the rejection of CDC Corporation's unsolicited offer to acquire all of the outstanding shares of Onyx for US\$5 per share in cash. Onyx cited uncertainties in the offer. CDC has not made any formal response to the announcement.

Hardware

- **Industry experts are saying that Chinese manufacturers will speed up production of flat-panel television sets this year and next year in a bid to meet a nationwide demand created by the 2008 Beijing Olympic Games.** An expert from Fusion Consulting said there are signs that there will indeed be an increase in the production of plasma and liquid-crystal display (LCD) television products. Fusion Consulting said falling prices of plasma and LCD products had resulted in flat-panel television sales accounting for about 95 percent of the market in Hong Kong, Taiwan, and the mainland, noting Chinese brands Changhong, TCL, Konka, Skyworth, Hisense, and Haier as holding the top six spots by volume sold. Technology-sharing joint ventures are also seen as aiding local makers to bringing down production costs and enabling them to compete with leading foreign brands. Research company iSuppli has forecasted that the mainland HDTV market will remain smaller than that of the U.S. but

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could surpass the Japanese market over the next few years. It is estimated that HDTV sets in the mainland would reach 5.5 million units this year, 10 million units next year and 15.2 million units in 2008.

Taiwan

Mobile/Wireless

- **Chunghwa Telecom disclosed its plan to invest between NT\$8 billion (US\$244.6 million) to NT\$10 billion (US\$305.8 million) in its 3G mobile phone business over the next two to three years.** A top company official of Chunghwa said the new investment is aimed at boosting the number of base stations in order to better serve more subscribers, with the company aiming at the end to have from 6,000 to 7,000 base stations for the 3G business by the end of 2011. The company invested some NT\$12 billion (US\$367 million) and operates 3,000 base stations. Chunghwa reported 8.4 million mobile subscribers, including 440,000 for its current 3G services. The company said it is targeting 800,000 subscribers by the end of this year. Nokia remains the sole provider of the company's 3G networking facilities.

Internet

- **oBuy, an online shopping web site, announced that it will initiate a Taiwan shopping section on Sina.com's online shopping mall.** The move is seen as enabling sellers from Taiwan to sell their goods and signaling the entry one of Taiwan's largest online shopping web sites to the mainland market. The company said the web site sells about 100,000 kinds of products.

Semiconductors

- **Advanced Semiconductor Engineering (ASE) and Powerchip Semiconductor announced entering a joint venture that aims to raise US\$50 million to form Power ASE Technology in Taiwan.** Under the deal, ASE and Powerchip said they would contribute US\$30 million and US\$20 million respectively. The newly established company will lease approximately 6,800 square meters of production space in ASE's Chungli Campus for future production. This newly established company will focus on memory IC related package and testing services, with mass production set to begin at the end 2006.

Hong Kong

Telecommunications

- **A statement from Pacific Century Regional Developments (PCRD), a Singapore-listed company 75 percent owned by PCCW chairman Richard Li Tzar-kai, denied that it was helping fund Francis Leung Pak-to's planned acquisition of its 22.6 percent stake in Hong Kong's dominant fixed-line telephone operator for HK\$9.1 billion (US\$1.1 billion).** Earlier, a report was released saying that the company would lend by way of a loan, some HK\$6.4 billion (US\$823 million) to Mr. Leung. PCRD said that Mr. Leung would pay the company HK\$9.1 billion (US\$1.1 billion) in three installments over an 18-month period at 6.5 percent interest. The sale of PCCW's core business assets would result to the company holding mainly property assets valued between US\$1 billion to US\$2 billion. Industry observers see the statement as adding to the confusion in the market.

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- **Lucent announced that it will provide its IP Multimedia Subsystem (IMS) platform to Hong Kong's New World Telecommunications (NWT).** The move is seen as enabling the NWT World, Hong Kong's first fixed-line operator to use an IMS platform, to implement new and innovative services over an internationally recognized standard.

Semiconductors

- **Kingboard Chemical Holdings, the largest printed circuit board maker in China, reported its shares jumping to 5.1 percent after it revealed that its first-half earnings will grow by 45 percent to 55 percent on soaring demand.** Earlier, the company noted that the dynamic electronics industry would push sales of its core products, which include laminates, printed circuit boards and chemicals. According to a Thomson Financial poll involving 13 analysts, Kingboard's net profit is expected to post a 22.1 percent year-on-year increase to HK\$1.7 billion (US\$218.6 million) for the full year. UBS sees firm's annual profit to register a 28 percent growth. IC Insights, a market research company, said the Chinese integrated circuit industry will increase from US\$19.2 billion in 2003 to US\$61.9 billion in 2008, representing a compound annual growth rate of 26.4 percent. Kingboard acquired its rival firm Elec & Eltek in 2004. It disclosed its plan of considering a spin-off of its laminates business for a separate listing. With the management still to make a final decision, analysts are saying that a spin-off could enable Kingboard to unlock value from its laminates business.

Mobile/Wireless

- **Research In Motion (RIM), a leader in wireless communications, announced that it has expanded its Hong Kong office as part of a major push into the Asia-Pacific region.** The company explained the move as adding approximately 10 more carrier partners in the region by the end of this year. A company statement said the Hong Kong office expansion was the latest in a series of announcements that had seen RIM significantly boost its presence in Asia Pacific. The office will serve as regional headquarters to assist RIM and its partners in Asia Pacific, in markets such as Greater China, South Korea, Japan, India, Australia, New Zealand and Southeast Asia.

Singapore/Malaysia/Philippines/Indonesia

Mobile/Wireless

- **CellCity, considered the world's first mobile superstore, announced that it has recently enlisted Bango so that the online mobile store can utilize Bango's browse and buy technology.** The alliance aims to promote and sell digital content directly to mobile phone users across all networks using the mobile Internet. Observers say that with Bango, clients can now access CellCity's online store via their mobile Internet and then pay for and download content directly to their phones. Items available in the store include full track music, games, ringtones and wallpapers, as well as business and productivity solutions and education, travel and health content. Also, with the aid of Bango's global platform, CellCity provides on-bill payment in key countries in Asia, giving users the opportunity to use a PayPal account or, if preferred, a credit/debit card when purchasing with the store. CellCity is part of a mobile economy that gains five million users from China and four million users from India each month.
- **Malaysian wireless carrier Maxis announced its plan to spend between US\$110 million and US\$165 million on capital expenditure for its 3G network next year.** A top company official said the investment would be used primarily for expanding Maxis' 3G network coverage. At the end of June, the company disclosed that it has registered about 110,000 3G subscribers, adding that some

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40,000 new subscribers signed up in June, driven primarily by services offered around the football World Cup. Reports said Maxis ended the first quarter with 8.2 million customers, which represented a 42.5 percent market share in the Malaysian market.

Internet

- **Citiseconline.com, an online brokerage firm, announced its successful listing of shares at the Philippine Stock Exchange even as it faced a trademark infringement case filed against it by the Citigroup.** Citiseconline said it was able to raise proceeds amounting to about 160 million pesos (US\$3 million) from the sale of 110 million common shares. The company said the proceeds would be used as working capital to support new products and features, with the balance to be used for the development of its technical infrastructure. The company said that since the improvement and re-launching of their web sites, the number of new accounts have surged. A company official said the average web site hits per month climbed from 2.3 million in 2005 to the present 4.6 million hits. It is projected that Internet users in the country will increase from 12 million to 22 million in 2008. Online trading is seen as benefiting directly from this growth.

Semiconductors

- **Chartered Semiconductor reported a decline in its net profit to US\$9.9 million from US\$25.2 million in the three months to March.** The figure was below forecasts by the company of US\$11 million to US\$21 million and by analysts at US\$13.5 million to US\$20.1 million. The company said its second quarter revenue went up by 88 percent year on year to US\$364.8 million, a jump the company ascribed to growth in the consumer sector. Chartered Semiconductor said its revenue for the six months to June climbed to US\$720.1 million from US\$375.4 million in the first half last year.

Telecommunications

- **Excelcomindo Pratama (XL), a unit of Telekom Malaysia, announced enhancements to its VPN services in preparation for its eventual rollout of 3G wireless services.** XL also said it had partnered with equipment maker Juniper Networks for the project. XL provides cellular mobile voice and data services and fixed-line offerings including VoIP services and wholesale Internet connectivity to local ISPs. Under the agreement, XL said Juniper Networks would deploy its M-series routers to support the VPN portfolio rollout.
- **Industry observers note that the APC Group has been looking for buyers of its unit, the Philippine Global Communications Inc. (Philcom), but there have been, however, no takers.** In a statement, APC said it has decided to sell Philcom as it has been incurring huge losses since 1998. APC also said that the sale of Philcom would allow it to focus on its core businesses, which includes mining.

United States/Canada

Internet

- **Google reported a second-quarter profit of US\$721.1 million, compared with its net income of US\$342.8 million at the same time last year.** Analysts noted that this is the seventh time in eight quarters, as a public company, that Google has registered higher-than-expected earnings. The company said its revenues went up by 77 percent for the period US\$2.4 billion from US\$1.3 billion a year ago. Google said its revenues went down to US\$1.6 billion after subtracting commissions paid to its partners on the Internet's largest advertising network.

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- **E-Trade Financial, an online brokerage and bank reported a 52 percent rise in its profits for the quarter to June to a record US\$156 million compared to US\$102 million year earlier.** The figures did not include one-time acquisition expenses of US\$8 million. The company said its revenue climbed by 58 percent from the second quarter of last year to US\$611 million. E-Trade said its interest income from customers' cash and credit holdings registered a 71 percent rise to US\$334 million.
- **Yahoo announced that it earned US\$164.3 million during the quarter that ended in June.** Though the profit figure matched analyst forecasts, it represented a 78 percent decrease over the same period last year. Yahoo posted a 26 percent rise in its revenue to US\$1.5 billion. The company said its fee-based revenue went up by 23 percent to US\$190 million. At the end of the quarter, Yahoo said it registered 14.3 million subscribers to paid services, a figure that is 1 million more than at the beginning of the quarter and up 42 percent from last year. A top official of the company said that Yahoo continued to repurchase its own stock, spending some US\$51 million in the quarter on its shares. The same official said Yahoo looks to its third-quarter revenue to be between US\$1.1 billion and US\$1.2 billion, the midpoint representing a 26 percent increase from a year ago. Observers are saying that what disappointed investors was not Yahoo's outlook but its statement that its new ad-serving platform, known as Panama, will be delayed and not launched this summer as expected.

Mobile/Wireless

- **Motorola reported a 48 percent rise in its second-quarter earnings to US\$1.3 billion from US\$933 million a year earlier, a performance the company attributed to the record handset sales and shipments that went beyond analysts' expectations.** The company noted its shipment of 51.9 million mobile phones in the quarter showing a heavy demand for its Razr line of phones, which Motorola said had helped lift its global market share to 22 percent. Motorola said its revenue climbed 29 percent to US\$10.9 billion from US\$8.4 billion a year ago. The figure is way above the US\$10.3 billion projected by analysts. Its sales in the mobile-phone unit posted a 46 percent growth to US\$7.1 billion. The division also saw operating earnings jump 62 percent to US\$799 million. The company said it expects sales of between US\$10.9 billion and US\$11.1 billion in the third quarter even as its network business continued show relative weakness. The connected home division, whose products include digital set-tops and cable modems, saw operating earnings grow by 70 percent from a year ago to US\$56 million.

Media, Gaming and Entertainment

- **Cartoon Network has announced that it is developing its first massively multi-player online game (MMOG) in a partnership with a leading MMOG developer, Seoul-based Grigon Entertainment.** Cartoon Network New Media said it will debut the game in the U.S. This is the first-ever partnership between a US entertainment company and a South Korean developer in creating an MMOG for the global marketplace.

Hardware

- **Apple announced that for its fiscal third quarter to July, profit went up to US\$472 million from US\$320 million in the same period last year, a 48-percent growth the company has ascribed largely to the popularity of its iPod music player.** The company said its sales went up to US\$4 billion from US\$3.5 billion last year, a figure that was still within the range of Apple's April forecast for quarterly sales of US\$4.2 billion to US\$4.4 billion. Apple reported shipment of some 1.3 million Macintosh computers and 8.1 million iPods during the quarter. The numbers represented a 12 percent rise in Mac sales and more than a 32 percent growth for iPods from the third quarter last year. A company top official noted that the iPod has retained a U.S. market share of 75 percent. Earlier last

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month, Apple said it found irregularities in the way it issued stock option grants, and was conducting an independent investigation. The company is one of the companies monitored internally or by the Securities and Exchange Commission investigations for possibly backdating stock options to time them at low prices. Without commenting on the issues, Apple said it had hired an outside lawyer to lead an investigation into its past stock options and has notified the Securities and Exchange Commission.

Semiconductors

- **California and 33 other U.S. states said they have filed a damages suit against seven global microchip makers, including NEC Corp. and Elpida Memory Inc. of Japan, on charges of fixing prices for dynamic random access memory, or DRAM, chips.** The complaint names, aside from the Japanese firms, Micron Technology Inc. of the United States, Infineon Technologies AG of Germany, Hynix Semiconductor Inc. of South Korea, Nanya technology Corp. of Taiwan and Mosel Vitelic also of Taiwan. The lawsuit accused the companies of violating state and federal antitrust laws in a period from 1998 to 2002 for conspiring to inflate DRAM chip prices amid oversupply in the semiconductor market. The multi-state suit did not show a specific figure but demanded the targeted companies pay three times the damage, which will be determined by the court.
- **Advanced Micro Devices (AMD) reported for the three months to July 2 earnings rising to US\$88.8 million from US\$11.3 million in the same quarter of last year.** AMD reported revenue of US\$1.2 billion, down from US\$1.3 billion last year. The company said it's looking for a stronger performance in the second half of the year as it forecasts a sequential rise in its third-quarter sales. Analysts expect the company to report, on average, US\$1.3 billion in third-quarter sales. AMD faces a market where Intel is providing strong competition by cutting prices and releasing new microprocessors, which are expected to become more competitive with AMD's chips for both servers and PCs. In a separate development, Intel reported its net income for the period posting a 57 percent decline to US\$885 million from the US\$2 billion in the same period last year. The company said its revenues went down by 13 percent to US\$8 billion.

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Europe

Telecommunications

- **Ericsson reported losses at Marconi, the company's telecommunications equipment maker in the second quarter.** The company said its pretax profit went down to 8.2 billion Swedish kronor (US\$1.1 billion) from 8.4 billion kronor (US\$1.2 billion) a year ago. The company posted sales of 44.1 billion kronor (US\$6 billion), sending the group's gross margins below market forecasts. Ericsson, however, said its mobile division, a 50-50 venture with Sony of Japan, is performing well.

Mobile/Wireless

- **Nokia announced a sharp increase in its second-quarter sales, with the company reporting a 29 percent growth in its sale of 78.4 million phones in April-June.** Nokia said it spent 851 million euros (US\$1 billion) on marketing in the quarter, up from 688 million euros (US\$872.7 million) a year earlier, in keeping with its forecast for a material increase. The company said its April-June sales climbed to 9.8 billion euros (US\$12.5 billion) from 8.1 billion euros (US\$10.2 billion) in the same period a year earlier. For the period April-June, Nokia said its operating profit at its infrastructure unit went up to 399 million euros (US\$506.1 million), a figure that went beyond the analysts' average prediction of 215 million euros (US\$272.7 million).

Software

- **SAP, the German business software maker, reported a 43 percent rise in its net profit to 414 million euros (US\$525.1 million) in the second quarter from 289 million euros (US\$366.5 million) in the same three months of last year.** The company ascribed the growth to better margins and higher revenues in the U.S. SAP said its quarterly revenue posted a 9 percent rise to 2.2 billion euros (US\$2.7 billion) from 2 billion euros (US\$2.5 billion) in the year-earlier period. It announced a 3 percent growth in its second-quarter software revenue in the Europe, Middle East and Africa region, with the Asia-Pacific region remaining flat.

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Other Economic Data

Currency Exchange Rates

Currency	Units	Current Rate (on 7/21/06)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change Last 12 Mth.
Japanese yen	¥/US\$	116.1700	0.0%	-1.3%	13.2%	5.4%
Hong Kong dollar	HK\$/ US\$	7.7755	0.0%	0.3%	0.0%	0.1%
Chinese renmenbi	RMB/ US\$	7.9820	-0.2%	-1.1%	-3.6%	-1.6%
Singapore dollar	S\$/ US\$	1.5835	-0.4%	-4.8%	-3.0%	-4.1%
South Korean won	KRW/ US\$	949.9500	-0.4%	-5.9%	-8.2%	-6.8%
New Taiwan dollar	NT\$/ US\$	32.7400	0.2%	-0.3%	3.2%	3.7%
Australian dollar	US\$/A\$	0.7523	-0.1%	2.7%	-3.6%	-1.7%
New Zealand dollar	US\$/NZ\$	0.6238	0.5%	-8.8%	-13.1%	-9.1%
Philippine peso	PHP/ US\$	52.1500	-0.4%	-1.8%	-7.3%	-6.5%
Euro	US\$/€	1.2694	0.3%	7.1%	-6.3%	4.3%
British pound	US\$/£	1.8585	1.1%	7.9%	-3.1%	6.1%

Fixed Income Prices and Yields

Note	Currency	Current (on 7/21/06)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	90.8906	5.08%	90.2835	5.12%	88.3105	5.23%
Japan 30-year	¥	99.9320	2.49%	100.1710	2.49%	100.0850	2.50%
Hong Kong 10-year	HK\$	99.9236	3.89%	99.8753	4.13%	99.7917	4.05%
China (06/16)	US\$	112.4336	3.18%	113.1191	3.13%	113.8900	3.06%
Singapore 10-year	S\$	95.3390	3.69%	95.4690	3.66%	96.0050	3.61%
South Korea 20-year	US\$	107.4519	5.31%	105.8493	5.45%	103.3950	5.60%
Australia 15-year	A\$	153.1670	2.39%	152.1750	2.41%	149.7720	2.53%
New Zealand (12/17)	NZ\$	101.0864	5.88%	101.1468	5.86%	101.2380	5.85%
Philippines 20-year	PHP	94.7559	11.14%	103.0425	10.89%	98.0131	11.49%
India 30-year	INR	84.6583	8.95%	84.7500	8.88%	86.0000	8.73%
UK 30-year	£	100.2400	4.23%	100.9730	4.19%	98.5250	4.34%
Germany 30-year	€	96.2490	4.24%	95.7070	4.25%	94.1500	4.35%

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