



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

Week of 30 July - 5 August, 2006

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Equity Market Indicators					
Index	Closing Level (08/4/2006)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change 2005 Low
S&P 500	1,279.36	0.1%	2.5%	5.6%	12.5%
Dow Jones Industrial Avg.	11,240.35	0.2%	4.9%	4.2%	12.3%
Dow Jones Tech. Index	348.76	-0.3%	-7.0%	-1.9%	11.7%
Dow Jones Telecom. Index	219.91	0.8%	9.1%	1.0%	11.6%
NASDAQ Composite	2,085.05	-0.4%	-5.5%	-4.2%	9.5%
The Street.com Net	193.94	-0.9%	-7.8%	-6.9%	11.1%
Japan Nikkei 225	15,461.39	0.8%	-4.0%	34.6%	42.8%
JASDAQ	92.87	4.0%	-28.7%	2.8%	2.5%
Japan Mothers	1,288.64	12.6%	-49.3%	-25.2%	-25.9%
Korea KOSPI Composite	1,303.56	0.5%	-5.5%	45.5%	49.7%
Korea Kosdaq	550.09	-1.2%	-20.4%	44.6%	40.9%
Taiwan Stock Exchange	6,428.68	-0.8%	-1.8%	4.7%	14.1%
Singapore Straight Times	2,458.93	1.2%	4.8%	19.0%	19.3%
Hong Kong Hang Seng	16,887.80	-0.4%	13.5%	18.7%	26.5%
Hong Kong GEM	1,135.01	1.5%	12.7%	14.8%	31.4%
China Shanghai (A-Share)	1,650.23	-5.5%	35.2%	24.1%	55.3%
China Shenzhen (A-Share)	402.36	-8.6%	38.7%	22.4%	64.4%
China Shanghai (B-Share)	89.35	-3.7%	44.1%	18.1%	74.0%
China Shenzhen (B-Share)	281.43	-2.8%	43.9%	28.0%	50.9%

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Technology, Media, Telecommunications and Life Sciences Market Activity						
NASDAQ/NYSE TMT and Life Sciences IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
N/A						

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 7/28/06	% 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 7/28/06	% Change From Offer
8/2/06	Hengdian Group [002056.CH] (Shenzhen Stock Exchange)	Develops, manufactures, and markets hard ferrite magnets, as well as batteries and alloys	US\$79.7	RMB 10.60	RMB 16.70	36.5%
8/2/06	Shanghai Welltec Automation [002058.CH] (Shenzhen Stock Exchange)	Manufactures and sells various industrial instruments, and automation control instrument solutions	US\$13.7	RMB 6.08	RMB 9.65	36.9%
8/2/06	SinoSteel Anhui Tianyuan [002057.CH] (Shenzhen Stock Exchange)	Manufactures and markets magnetic materials, devices, and separators	US\$17.6	RMB 4.68	RMB 8.99	47.9%
8/1/06	GeoTel Corp. [074140.KS] (KOSDAQ)	Provides wireless internet software for internet platforms and browsers	US\$7.1	KRW 9,800	KRW 7,200	-36.1%

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
8/1/06	Ubtron [054010.KS]	Produces coils for cathode ray tubes, as well as connectors for microwaves and energy savers	8/4/09	US\$2.1	11,764 shares	7/4/09
7/27/06	Advanced Materials and Integration Co. [039790.KS]	Produces chip products for mobile phones, digital TVs and LCDs, as well as electromagnetic interference absorbing products and conductive cloths	8/3/09	US\$5.0	2,695 shares	7/3/09

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Weekly Highlights

International

Mobile/Wireless

- **Juniper Research predicts that Broadcast Mobile TV will reach revenues of US\$11.7 billion worldwide by 2011.** Japan is predicted to lead the market with revenues reaching US\$2.9 billion, followed by the U.S. at US\$1.8 billion. The UK is also predicted to be a key market at US\$989 million. The research group said that although Japan is initially offering a free service on its ISDB-T 'One Seg' network, Japan will start charging for the service in 2008. Juniper Research sees Japan, U.S. and UK markets as prime breeding grounds for mobile television viewing mainly because of the large number of consumers made for TV viewing. Although South Korea has had a head start in broadcast Mobile TV with its DMB efforts, Japan and the U.S. will overtake it in terms of the number of subscribers, purely based on a larger mobile subscriber base. Of the overall broadcast Mobile TV subscriber market, Japan, U.S. and South Korea will make up 39 percent, with the other major markets being Germany, Italy, UK, India and China, making up 36 percent by 2011. Juniper Research has short listed 26 key countries/regions around the world for broadcast Mobile TV services. Juniper Research describes 2006 as an interesting year for Mobile TV with a large number of announcements concerning broadcast Mobile TV trials and rollouts, many of them timed with the World Cup in mind. The key highlights have been an increased uptake in streamed Mobile TV services and surprising results from broadcast Mobile TV trials, showing a dramatic increase in the average time spent by the consumer watching Mobile TV.

Japan

Internet

- **Sony, Matsushita, Sharp, Toshiba and Hitachi, the Japanese consumer-electronics giants, announced entering an agreement to develop a joint standard for Internet-connected TVs.** Under the alliance, the group plans to establish a common standard for aspects of Internet TV such as the OS, security, copyright protection and network connectivity. The move is aimed to make it easier for content makers to produce viewing material for televisions that link to the web. Industry observers are saying that the alliance might push rivals overseas either to develop alternatives in competition, or adopt the planned Japanese standard. For the OS, companies have decided to adopt Linux, rather than Microsoft's Windows system. Beyond that, the specifics of the standard are undecided. The five rivals set up a joint company last month called TV Portal Service Corp. to develop this common standard, with Sony and Matsushita as the lead shareholders, each with 35 percent stake. The others have 10 percent shares.
- **Softbank Corp said it has sold 7.5 percent of its 26.7 percent holding in financial service unit SBI Holdings Inc in a deal valued at 50 billion yen (US\$437 million).** The sale price values the shares at 45,000 yen (US\$393.2) each. Japan's largest asymmetric digital subscriber line operator and the third largest mobile phone operator in the country said it will book a special capital gain from the sale of 29 billion yen (US\$253.4 million) in the second quarter to September this year. Softbank said it would use the proceeds to repay part of its outstanding debt.

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Telecommunications

- **Nippon Telegraph and Telephone reported an 18.5 percent decline in profit for the first fiscal quarter to 144.7 billion yen (US\$1.2 billion) from 177.6 billion yen (US\$1.5 billion) the same period the previous year.** The company ascribed the drop to the continuing declines in income from its fixed-line business as well from the costs it incurred in promoting its broadband Internet services, and its mobile operations. The company said its quarterly sales went up by 0.9 percent to 2.6 trillion yen (US\$22.7 billion). The company said that its mobile carrier unit NTT DoCoMo still dominates the Japanese market, and the service still continues to grow. Its operating profit, however, went down by 21 percent in the latest quarter, despite rising revenue. The company said expenses at NTT DoCoMo were also higher, mostly related to selling new handsets, while service prices have been plunging because of intensifying competition. NTT said it is maintaining its forecast for the full fiscal year ending March 31 in 2007 at 500 billion yen (US\$4.3 billion) profit on sales of 10.8 trillion yen (US\$94.3 billion). The company has been working on registering more users to its broadband service using optical fiber, which is one of the fastest types of broadband available around the world. NTT said it has been increasing users of a fast 3G data transmission on mobile phones called Foma, which allows people to use handsets to watch video clips and relay more data.

Media, Entertainment and Gaming

- **Camelot Software Planning, the studio that has become known for its line of Mario sports software, disclosed that it will take a pause from its alliance with Nintendo to concentrate on a partnership with Eleven-Up Inc. and Yahoo! Japan.** The studio revealed it will develop a new golf title for the PC called Golf Daisuki. The game begins beta testing later this month and once complete, will be distributed on the G-Planet service created by Eleven-Up and Yahoo! Japan. Camelot is a small studio of about 30 development staff. The team has not ruled out future development with Nintendo. Camelot said the studio would devote its full resources to G-Planet because it sees immense potential in the service's future.

Hardware

- **Sharp announced that it would initiate operations in its LCD plant this month, two months ahead of schedule in a bid to meet surging demand in bigger but slimmer TVs.** The plant, which costs about 150 billion yen (US\$1.3 billion), was set to open in October. It is expected to manufacture top-notch panels for flat-panel TV called "eight-generation" TV. Observers note that Sharp was successful in its operations compared with other Japanese electronics maker in competing with cheaper Asian competition. The Osaka-based maker of Aquos brand TVs got a head-start by focusing on flat-panel TVs and has the advantage of making both panels and TVs in-house, instead of having to buy panels from other companies. According to DisplaySearch, Sharp holds about 13 percent of the global market in LCD TVs, even as it is in a tight competition against three strong rivals, Sony, Samsung and Royal Philips Electronics. Sharp said the new plant would produce 15,000 panels a month, enough for 120,000 40-inch TVs. Production will be boosted to 30,000 panels a month by March next year. It looks to sell some 6 million LCD TVs worldwide during the fiscal year ending March 2007, up from 4 million in the fiscal year through March.

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- **Dell Inc. beat Fujitsu Ltd. in April-June to become the second-largest PC supplier in Japan, according to IDC.** Dell is already the world's largest personal computer vendor, but Tokyo-based NEC Corp. and Fujitsu have been the largest and second-largest PC suppliers in Japan in recent years. IDC noted that Dell made use of aggressive pricing and advertising campaigns to boost its market share. NEC remained in the No. 1 spot, with a 19.6 percent share, followed by Dell with 16.1 percent, and Fujitsu with 15.6 percent. Overall PC shipments in Japan, the world's third-largest personal computer market in unit terms, fell to 3.4 million units in April-June, down 2.3 percent from a year earlier and the first decline in more than three years.

Korea

Internet

- **Hanaro's IP Media TV portal service, Hana TV, said it has attracted 13,000 subscribers in just nine days since the service launch.** The service has attracted a lot of attention and Hanaro says it is getting more than 1,000 calls daily from potential subscribers who are interested in the service. Hanaro Telecom's internal target for Hana TV is 250,000 subscribers by the end of the year.
- **SK Communications said it has developed in-house a search engine to be used for its Cyworld and Nate.com services starting the middle of this month.** So far NHN is the only South Korean Internet firm that has successfully developed and launched its own search engine. With the entry of SK Communications, competition is expected to be intense in the already highly competitive domestic search market. An industry official was also quoted as saying that Daum Communications is also in the development stage of its own search engine.
- **NHN Corp., Korea's top online portal, reported a 120 percent rise in its second-quarter net profit on year to 32.4 billion won (US\$33.9 million), driven by a solid growth of online advertisement income.** The company said net profit in the April-June period declined 7.7 percent from the first quarter. Sales jumped 59.9 percent to 132.9 billion won (US\$138.7 million) and operating profit surged by 65.1 percent to 50.6 billion won (US\$52.8 million). Analysts said NHN earnings topped expectations through higher income from their online ad business, partly helped by Internet-based events that included the World Cup soccer finals in Germany. Sales from search engine-based ads jumped 70.8 percent to 68.1 billion won (US\$71 million) from a year earlier and banner ad revenue went up 69 percent to 24.6 billion won (US\$25.6 million). The company reported earnings of 28.5 billion won (US\$29.7 million) from game business.

Mobile/Wireless

- **South Korea's three mobile carriers are expected to refrain from increasing handset subsidies in the second half, noting how snowballing marketing costs negatively affected their earnings in the second quarter.** SK Telecom, KTF, and LG Telecom posted disappointing earnings in the second quarter largely due to bigger marketing expenses after the government lifted a three-year ban on the handset subsidies in March. The Ministry of Information and Communication has long blocked the carriers from offering subsidized handsets in return for restrictive membership conditions such as obligatory subscription for up to two years. The lifting of the ban, however, is just limited to the handset subsidies of existing long-term subscribers, not the one for attracting new users. As the marketing strategy revolved around handset subsidies, the carriers had no choice but to raise the

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subsidies in a fierce competition. But the subsidy race is now expected to cease. KTF, the country's second-largest mobile carrier, is set to apply a new handset subsidy rule from July 5, allowing existing subscribers to get an extra subsidy of as much as 100,000 won (US\$104) when they upgrade their handsets and keep their membership. KTF's generous offer this month is aimed at competing with LG Telecom, which raised the handset subsidy for its own subscribers by up to 100,000 won last month. But SK Telecom said it would not follow suit for a while after releasing its second quarter earnings.

- **Letsvision announced its development of a DMB/DVB-H-enabled multimedia chip used for mobile TV.** The new chip is said to support a wide range of multimedia formats such as JPEG, MPEG4 and MP3, and is capable of processing mobile broadcasting signals such as DMB and DVB-H. The company adopted its high-performance H.264 decoder to provide multi-channel view and recording features, and the chip can also be installed in a portable multimedia player and a navigator. Letsvision said it has formed deals with a DMB broadcasting firm and a mobile phone company in overseas markets, and plans to launch volume production late this year.
- **KTF Co., South Korea's second-largest mobile operator, exceeded its rivals in gaining new customers in July thanks to its marketing efforts to retain subscribers, according to industry data.** KTF said it attracted a net 83,855 customers last month, bringing its total subscription base to 12.7 million at the end of July. The figure compares with the previous two months when it gained 49,600 and 21,500 subscribers respectively, as its business was affected by aggressive marketing by other operators on the back of the government's reintroduction of handset subsidies. LG Telecom Ltd. added 52,117 customers last month, increasing its customer base to 68.1 million. SK Telecom Co, the nation's top mobile operator, however, lost a net 10,685 subscribers amid advances by other smaller companies, according to data by the two companies. As of the end of July, South Korea had 39.5 million mobile phone users out of its population of 48 million. SK Telecom led the market with a 50.5 percent share, trailed by KTF with 32.1 percent and LG Telecom with 17.2 percent.
- **LG Telecom Ltd. reported a net loss of 195.3 billion won (US\$204.3 million) in the April-June period, compared with a profit of 54.6 billion won (US\$57 million) in the same quarter the previous year.** LG said its sales posted a 14.4 percent growth to 987.5 billion won (US\$933.8 million), with its operating profit going up by 2 percent to 94.8 billion won (US\$98.6 million). The company attributed the worst quarterly performance to a write-off cost related to the canceled 3G communications business worth 323.4 billion won (US\$337.6 million). On July 19, the government revoked the license for IMT-2000 granted to LG Telecom in 2002, as the mobile operator failed to meet the deadline to launch the nation's 3G wireless communications service by the end of June. LG Telecom's earnings came after the nation's two other mobile operators, SK Telecom Co. and KTF Co., announced a drop in their earnings this week, mainly due to an increase in marketing costs following the government's lifting of a ban on subsidies for handset purchases in late March. LG Telecom, which holds 17 percent of the market, said that its operating profit dropped 10.8 percent from three months earlier, as it spent more for retaining or attracting customers. The company, however, said it aims to bring in as many as 8 million subscribers, up from the current 6.8 million, by the end of 2008, which will bring its market share to 20 percent of the nation's 39.5 million mobile service users.

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Media, Entertainment and Gaming

- **Cinero.com, which launched the country's first Online Download Movie Theater service in April this year, reported a sharp rise in the number of its fee-paying users in 3 months.** Industry experts are closely watching the new service to see whether the movie content market would move toward the online download service area. The company is offering unlimited access to downloadable high-quality movies for a fixed rate of 8,000 won (US\$8) monthly. In July, some 60 percent of members used the site pay for download service, which is higher than around 40 percent average among other streaming service users. In a related development, Cowon, a firm specializing in portable multimedia players and digital music players, said it is also seeking to launch content download service, and MBC teamed up with Warner Brothers to introduce a digital movie download service middle this month. Cinero.com is now offering 'My Great Teacher, Part II' and 'My Wedding Story.' The company is aggressively securing movie content, expecting online releases to move up to the time of video releases.

Telecommunications

- **The country's Ministry of Commerce, Industry and Energy (MOCIE) announced that Asia Pacific Satellite Industries Co. (APSI) concluded a contract with Thuraya Satellite Telecommunications Company, the biggest satellite telecommunications corporation in UAE, to supply 190,000 satellite mobile phones worth US\$65 million.** At present, 4,000 units had been exported to the region. APSI developed South Korea's first satellite mobile phone, described as a cutting-edge product that comes with voice telephony, data or fax, packet data, GPS and USB functions. During this course, APSI secured core satellite transmitting components and developed technology capable of producing second-generation satellite units to succeed the first generation that had been supplied by America's HNS and Switzerland's Ascom. Satellite mobile phones utilize geostationary satellites in a 36,000 km orbit, as base stations, to allow the use of phones on mountains, oceans, deserts and other regions without traditional terrestrial coverage. Moreover, no roaming service is needed with the satellite phones across the third of the world's surface covered by the satellite. APSI said it plans to penetrate the terrestrial telephone market by manufacturing and exporting a mobile phone next month where both the terrestrial and satellite repeaters can be used.
- **SK Telecom Co., South Korea's largest mobile-phone operator, reported a 20 percent decline in its net income to 373.3 billion won (US\$390 million) in the second quarter, from 467.1 billion won (US\$487.7 million) a year earlier.** The company said its sales went up by 4.4 percent to 2.6 trillion won (US\$2.7 billion). SK Telecom joins rival KT Freetel Co. in reporting lower than expected profit in the latest quarter, underscoring how competition has intensified since the end of March, when wireless operators began offering handset subsidies. SKT said its operating profit went down by 13 percent to 619.3 billion won (US\$646.6 million), compared with the 672 billion won (US\$701.6 million) median estimate in the survey.

China

Internet

- **Sina reported a 4 percent rise in its net profit to US\$10.4 million, in the second quarter as turnover gained 16 percent to US\$53.7 million.** The firm, considered as China's most popular portal ascribed the performance to a strong second-quarter advertising revenue growth. Sina said the recent World Cup contributed some 45 percent boost to advertising fees, a contribution valued at

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some US\$8 million. Sina said its third-quarter sales would be within the range of US\$51 million to US\$54 million, with advertising revenue forecast at US\$31 million to US\$32 million. Earlier the mainland government issued stricter regulations on sales of ring tones and other mobile phone services, prompting Sina to state about its uncertainty regarding a strong second-quarter revenue growth for wireless services. Sina said its advertising revenue, which accounted for 54.9 percent of second-quarter income, was US\$29.5 million, higher than the company's forecast of US\$26 million to US\$27 million and 33 percent up on the first quarter. Its non-advertising revenue went down by 6 percent to US\$24.2 million but still higher than the forecast US\$21.5 million to US\$22.5 million. During the second quarter, Sina announced an earning of US\$2 million from the sale of its stake in a joint venture company formed with South Korean online game company NCsoft.

- **Sohu.com Inc. announced that it has completed its US\$15 million stock repurchase program.** Ever since initiating the buyback program in August 2005, the company has repurchased 690,581 shares, fully utilizing the funds allocated under the program. Sohu revealed it is continuing with a separate and additional US\$15 million stock repurchase program, which is in place at present.
- **Reports are saying that Wei Zhe, the president of Kingfisher Plc's B&Q in China, has resigned from his position after more than six years at the Britain-based home improvement retailer, to join Alibaba.com Inc.** No report about his new position was disclosed. Wei reportedly has a good relationship with Jack Ma, founder and chief executive of Alibaba.com. The firm has been reported as strengthening management to prepare for an overseas listing.

Mobile/Wireless

- **Industry observers are saying that big foreign mobile phone makers led by Finland's Nokia and South Korea's Samsung Electronics are making headway into the China market, as consolidation pushes smaller mainland players away.** Industry experts cite expanded distribution and local alliances as factors that are making it easy for the world's top three handset suppliers to be dominant forces in the China market. Observers say this development is indicated by the number of local companies that have ceased to be part of the mobile phone business. Some mainland companies that are not part of the sector include Guangzhou Soutec (Group) Technology, China Kejian and Nanjing Panda Mobile Communications Equipment. With the government allowing more suppliers into the domestic mobile phone market, more "casualties" are seen as being added to the list. According to Gartner, some 25-30 handset vendors would remain in China by the end of this year. Strategy Analytics said that Nokia continues to set the agenda in larger emerging markets such as China, allowing the company to capture a 33 percent market share worldwide in the second quarter. Nokia is working with local operators in rural markets to help make monthly tariffs affordable, with growth from China and other emerging markets seen as boosting Nokia's global mobile phone shipments to 101 million units this fourth quarter, up 20 percent from 84 million units a year earlier. Partnerships with local players are also helping to drive growth in overseas companies.
- **Analysts are saying the mainland's major mobile operators are expected to post far more robust first-half results than fixed-line carriers.** According to a median of eight analysts surveyed by China Daily, and China Mobile, the world's largest mobile operator by subscribers, is likely to register a 21 percent growth in the January-June period to reach 29 billion yuan (US\$3.6 billion). All the analysts reportedly agreed that the firm would hit a double-digit growth. BNP Paribas predicted the firm would gain 25 percent year-on-year to reach 30 billion yuan (US\$3.7 billion), the highest estimate of all the analysts, citing weaker-than-expected market competition and its parent firm's rural penetration. An analyst at Philip Asset Management said that people subscribing to the broadband

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services of China Mobile Network are increasing, with more than 4 million new clients choosing to use the China Mobile network every month. The analysts estimate that China Unicom, China Mobile's main rival, may hit a lower growth rate in income of 11.6 percent, to 2.6 billion yuan (US\$325 million). BNP Paribas said China Unicom is expected to gain momentum in the second half. Analysts said China Telecom and China Netcom's first-half net profit could rise by 4.2 percent and 4.5 percent to 15.3 billion (US\$1.9 billion) and 6.6 billion yuan (US\$836.1 million), respectively.

Software

- **Chinasoft International revealed its plan to switch its listing to the main board next year, a move it will do after it has completed its three planned acquisition.** The software service provider, which is partly owned by Microsoft Corp, said it would raise the number of its workers to 5,000 before the switch. With HK\$134 million (US\$17.2 million) cash set aside for acquisitions, Chinasoft it is looking to acquiring three firms from the U.S., Japan and the mainland. Through these acquisitions, the company said it aims to expand in the IT outsourcing services industry. A top company official noting the fragmentation of the software market said that he expected over the next three years, a consolidation of the market. Chinasoft said it aims to be one of the three largest firms in the China software industry. In a separate development, Chinasoft announced its half-year profit as rising by 34.7 percent to 24.5 million yuan (US\$3.1 million). The company said its sales went down by 18.2 percent to 133.7 million yuan (US\$16.7 million), a situation it ascribed to giving up the low-end hardware business to focus on its core software business.

Hardware

- **Lenovo Group reported a decline of 89 percent in its first-quarter profit to US\$5 million, which it ascribed to restructuring costs at the unit it acquired from IBM. Lenovo said that it spent US\$19 million to pay for job cuts and relocation.** The company reported its sales going up by 38 percent to US\$3.5 billion. Lenovo said it is cutting about 1,000 employees and moving offices at a cost of US\$100 million after acquiring the personal computer unit of IBM for US\$1.2 billion in May 2005. It looks to the restructuring as bringing it a saving of as much as US\$250 million a year. It reported a loss in the quarter to March after booking US\$70 million of restructuring costs. The remaining US\$30 million will be taken into account this fiscal year. IDC said Lenovo's share in the global market went up to 7.7 percent at the end of June from 7.5 percent a year ago. Notebook computer sales, which rose 23 percent in terms of shipments, accounted for 51.6 percent of total revenue, with desktop computer sales taking 41.8 percent. Its sales in the mobile handset business posted a 64 percent growth to US\$174 million, making up 5 percent of total revenue. Sales in the Greater China region, which made up 38.5 percent of total sales, registered a 31.6 percent growth to US\$1.3 billion. Its revenue in North and South America, making up 29.2 percent of total sales, went up by 43 percent to US\$1 billion. Asia-Pacific sales contributed 13.3 percent of the total and posted a 45 percent rise to US\$416 million, with the growth coming from India and Japan.
- **Microsoft Corp said it would spend US\$700 million annually in the next five years to purchase hardware products from China.** The company, however, did not mention if it plans to introduce the video game console Xbox in the Chinese mainland even though it will launch the product in 10 more countries this year. At present, most of Microsoft's hardware products are manufactured in southern China, and all Xbox consoles are manufactured in China.

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- **Best Buy Co disclosed that it is considering further acquisitions in China, including Beijing Dazhong Electrical Appliances Co, as the biggest US home-appliance chain prepares to open its first store in the world's most populous country.** A top official of Dazhong revealed the plans to nullify an agreement to ally with China Paradise Electronics Retail Ltd. Best Buy's plan to enter China's US\$75 billion home-appliance market has spurred mergers among domestic companies. Dazhong stores account for more than half of sales in Beijing, a prize for either Best Buy or Gome Electrical Appliances Holdings Ltd, China's biggest home-appliance retailer, as they vie for wealthy, urban consumers.

Taiwan

Semiconductors

- **United Microelectronics Corp (UMC), the world's second-biggest contract chipmaker by revenue, reported a massive rise in its net profit for the second quarter to NT\$6 billion (US\$183 million), up from NT\$299 million (US\$9.1 million) in the second quarter of last year.** The result was even higher than the NT\$4.4 billion (US\$134.2 million) average estimate from analysts polled by Dow Jones newswires. UMC explained the huge growth as partly caused by the company selling stakes in MediaTek and SirF Technology Holdings. For the second quarter, UMC announced a 32 percent rise in its revenue to NT\$25.7 billion (US\$783.8 million) from NT\$19.4 billion (US\$591.7 million) in the year-earlier period. UMC supplies chips to several of the biggest companies in the global high-technology sector for use in a variety of products including mobile phones, digital cameras, and computers. The companies use products from the contract chipmakers to avoid the cost of building chip factories themselves.

Hardware

- **Nexgen Mediatech, which handles the LCD-TV business for the Chi Mei Group, said it is scheduled to enter the LCD-TV market in China by the end of the year.** The report also indicated that Nexgen would place LCD-TV orders with Sampo Technology, a member of Sampo Group, to avoid high tariffs in China. Sampo Technology will assemble Chimei-branded TVs in Kunshan, in Jiangsu Province. Nexgen Mediatech said that the company is currently in an evaluation stage and has not yet decided whether to partner with Sampo Technology. Nexgen currently has LCD-TV plants located in Taiwan, China, and Germany. Nexgen Mediatech aims to ship 500,000 LCD TVs in 2006 (200,000 units of which would be destined for its own-brand segments). The company also said shipments in Europe are expected to reach 100,000 units this year. Sales of Chimei-branded LCD monitors totaled 400,000 units in the first half of 2006, with Taiwan, Europe, New Zealand, and Australia as its major markets.

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Hong Kong

Telecommunications

- **Hutchison Telecommunications International Ltd (HTIL) said it has asked the courts to stop Essar Group from selling its Mumbai mobile business to a third party.** HTIL owns 67 percent of the stake in partnership with Essar, which holds the remaining 33 percent of the joint venture. With 2.1 million customers, Hutchison Essar is the largest operator in Mumbai. It operates in 16 of India's 23 license regions. Essar said it is due to sell another seven licenses to Hutchison Essar. Earlier, HTIL said it aims to spin off Hutchison Essar, valued at US\$10.6 billion by some analysts, as early as the end of this year, a plan that the company said has remain unchanged.

Media, Entertainment and Gaming

- **Industry observers note that Hong Kong's digital music sales have grown to 4 percent of total music sales, and yet the trend to legitimize music downloading initiated about a year ago has not yet countered the decline of the music industry in the said market.** A top official of the International Federation of the Phonographic Industries (Hong Kong) said they are expecting a substantial decrease in the revenue from physical sales of music. In 2005, the industry posted total sales of HK\$629 million (US\$80.9 million), which is a 6.3 percent decline compared to sales posted in 2004. The federation reported that global music sales had fallen 16 percent in five years, from US\$39.7 billion in 2000 to US\$33.6 billion in 2004. But digital sales have grown to US\$1.1 billion, triple that of 2004. Legal music downloading websites are adopting various strategies in the hope of boosting sales, including price cuts. The New World Telecom's NWTmusic.com has slashed the price per song, which previously ranged from HK\$10 (US\$1.2) to HK\$12 (US\$1.5) to between HK\$2 (US\$0.2) and HK\$7 (US\$0.9), even as the firm said it was not aiming to open a music downloading price war. Rival EOLAsia.com and i-Cable's imusic, also launched last year, said they would not follow suit. EOLAsia.com will maintain an average of HK\$8 (US\$1) per song, while imusic will keep it at HK\$6 (US\$0.7) to HK\$9 (US\$1.1).

Semiconductors

- **Solomon Systech (International) reported a 50.7 percent decline in its profit to US\$17.8 million in the first six months from US\$36.3 million a year ago.** The figure comes close to the US\$26 million forecast made by Bear Stearns Asia. The Hong Kong-listed display chip designer ascribed the decline to a drop in its selling price. Solomon said its turnover went down by 20 per cent to US\$149.4 million despite a 16 percent gain in shipment volume to 125 million chips. Solomon generates much of its revenue from mobile phone display chips. The company said it has managed to retain its 20 percent market share in the mobile phone display chip market worldwide. A top company official noted how the mobile phone display chip market is becoming less profitable because of keen competition, said the company aims to develop display chips for other consumer electronics. In line with this, the company stepped up its investment in research and development in the first half to US\$7.9 million, compared with US\$5.5 million a year ago.

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Singapore/Malaysia/Philippines/Indonesia

Internet

- **Malaysia said authorities would begin cracking down on bloggers who write rumors seen as destabilizing the economy and bringing about disharmony.** The statement from the country's prime minister was seen as one of the latest efforts from the government to police the cyberspace. Officials have made statements that proper Internet governance was needed to prevent disunity in the multiethnic Southeast Asian nation. Observers note that Malaysia has always monitored print and television media, leading people to go to the Internet for alternative news source and commentary. A government official however, said that bloggers have more freedom than those practitioners in print and TV media.

Telecommunications

- **Singapore Telecommunications (SingTel) reported a rise of 5.8 percent in its first quarter net profit of S\$840 million (US\$534.1 million), against what analysts earlier had predicted for the three months to June, a net profit of S\$770 million (US\$489.6 million) to S\$839 million (US\$533.4 million).** SingTel ascribed to strong earnings to the performance of its top mobile associates, especially in India and Indonesia and in Australia, where Optus, its wholly owned unit, remains the second-biggest cellular operator. SingTel said its operating went down by 1.4 percent from a year earlier to S\$3.1 billion (US\$2 billion). Pretax profit at SingTel's regional mobile associates went up by 29 percent to S\$495 million (US\$314.7 million), with Bharti Telecom of India up 64 percent to S\$101 million (US\$64.2 million) and Indonesia's Telkomsel up 30 percent to S\$225 million (US\$143 million). The company also identified Globe Telecom of the Philippines as also a strong contributor with pretax profit rising to S\$110 million (US\$70 million) from S\$61 million (US\$38.7 million) a year earlier. Contributions from Thai associate Advanced Info Service and Pacific Bangladesh Telecom registered a decline due to higher costs. In the Singapore home market, SingTel's operating revenues were flat at S\$995 million (US\$632.6 million) as revenues from data and Internet services fell 1.2 percent to S\$296 million (US\$188.2 million). Revenue from mobile communications went up by 6.8 percent to S\$221 million (US\$140.5 million). In a separate announcement in Australia, Optus posted a 5.3 percent rise in operating revenue of A\$1.8 billion (US\$1.3 billion) with contributions of A\$68 million (US\$52 million) from recent acquisitions Alphawest and Virgin Mobile.

United States/Canada

Internet

- **Internet phone provider Vonage Holdings reported a 17 percent rise in its losses in the second quarter as it posted from April to June losses of US\$74.1 million, compared with a loss of US\$63.6 million in the same quarter last year.** High customer-acquisition costs were the main factor used to explain the losses. The company said its revenue reached US\$143.4 million, short of Wall Street's forecast of US\$148.3 million. Vonage's revenue was US\$59.4 million in the same quarter a year earlier. The company has some 1.9 million subscribers who use their broadband connections to make calls with regular phones. Vonage said it has shelled out a lot of money for its marketing activities even as it faces strong competition from cable TV companies using VoIP to boost their phone plans. In the second quarter, Vonage said its marketing costs hit US\$90 million in the second quarter, 46 percent higher than a year earlier. In the first half of this year, Vonage showed a loss of

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US\$159.3 million on revenue of US\$262.3 million. In the same period last year, the loss was US\$123.6 million, with revenue of US\$100.1 million.

- **AOL said it was likely to lay off about 5,000 employees, which represents about a quarter of its global workforce, in the next six months.** The statement from Time Warner's Internet unit followed the announcement that it would start offering its e-mail and multimedia services to broadband users for free, as part of a drive to compete better with Yahoo and Google. The company employs about 19,000 people around the world, primarily in the U.S., including about 3,500 employees in Europe. Former clients of AOL have been dropping the service in the quarter to June, opting instead for broadband services, resulting to its fixed-line Internet access dropping by 11 percent in the quarter from a year ago. AOL also announced that it had entered into exclusive talks with French telecom group Neuf Cegetel to sell its French Internet by the end of the year. AOL's French operations include about 500,000 broadband subscribers and about the same number of dial-up users.

Media, Gaming and Entertainment

- **Electronic Arts posted for the three months to June loss of US\$81 million, compared to US\$58 million, for the year-earlier period.** The world's biggest video game publisher said its revenue posted a 13 percent rise to US\$413 million, from US\$365 million a year earlier. The company attributed the growth to its sales from its latest titles that include FIFA World Cup, Battlefield 2, Need for Speed, The Sims, and Fight Night. Excluding stock-based compensation and other one-time items, the company said it would have lost US\$38 million, compared to US\$55 million a year ago. For the fiscal year, the company projected revenue to be between US\$2.8 billion and US\$3 billion, in line with Wall Street expectations and up slightly from its previous guidance of a range of US\$2.7 billion to US\$2.95 billion.
- **ESPN disclosed that it is aiming to bring its pay-for-access model from cable TV to the Internet.** Currently, the sports network's new ESPN360 website, which includes live sportscasts, on-demand video, ESPN TV shows and interactive games, is only available to the customers of Internet service providers that buy the right to offer ESPN360. Compared to other outlets that offer programming content at a charge or even free to prospective viewers, ESPN utilizes its agreements with Verizon Communications and other telecommunications providers. Responses from ISPs are not that all positive, however. Fox Communications said it has no plan to work with ESPN360, citing remarkable cost and expense to be passed on to customers. AT&T said it is also not offering access to the web site.
- **Apple Computer's iTunes online entertainment shop announced that it has added CNN, Adult Swim and Cartoon Network programs to its virtual shelves.** Under the agreement, Turner Broadcasting Systems, (TBS) and CNN Presents could be bought at iTunes and viewed on computers, iPods, or MP3 players. The iTunes Music Store offers a selection of nearly 10,000 music videos, short films, and television shows, and more than three million songs from leading music companies and more than 1,000 independent labels.
- **Napster said its first-quarter loss narrowed from the year-earlier period as it posted for the quarter to June a loss of US\$9.8 million, compared to US\$19.9 million in the year-earlier period.** The company announced that its revenue went up to a record US\$28.1 million, including a one-time benefit of US\$1.9 million from prepaid cards, compared to revenue of US\$21 million in the same period last year. Analysts surveyed by Thomson Financial expected a quarterly loss of 36 cents per share on sales of US\$27.3 million in the latest period. Napster said it closed the quarter with a paid customer base of 512,000, including 4,000 subscribers at universities. The company said that,

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excluding the university subscribers, the company's premium subscriber base increased 26 percent from the first quarter last year. Napster predicted for the second quarter revenue of about US\$25 million. Wall Street had projected sales of US\$29.4 million during the period.

- **Time Warner, the company, parent of AOL, HBO, Warner Brothers, and the publisher of Time magazine, announced a profit of US\$1 billion in the second quarter compared with a loss of US\$409 million in the same period a year earlier when it recorded a charge for settling securities litigation.** Considered the world's largest media firm, Time Warner said that its revenues climbed to US\$10.7 billion from US\$10.6 billion. The company said that its operating profit posted a 7 percent rise to US\$2.7 billion with strong gains in cable television, cable networks, and filmed entertainment, making up for the weak performances of AOL and media publications. In a separate development, the company announced changes in its AOL division, saying it would make its software, e-mail, and other services free to Internet users in a bid to concentrate on online advertising and move away from Internet access subscriptions.

Software

- **SanDisk, a memory-card maker, said it has agreed to acquire M-Systems Flash Disk Pioneers in a deal worth about US\$1.3 billion in stock.** The acquisition is seen as giving SanDisk, a partner of Japanese electronics giant Toshiba, access to technology that can double the storage capacity on a semiconductor, challenging rivals including Samsung Electronics. Flash memory sales are forecasted to grow faster than any major segment of the US\$227 billion chip industry as mobile phones and music players need more memory to store music and pictures. A SanDisk official said the acquisition would contribute to earnings by the end of the first year. Under their partnership, SanDisk and Toshiba are building their fourth memory chip factory in central Japan this month, with production slated to begin by December next year. Earlier this month, the company restated some statements after reviewing its stock-option grants, reducing income between 1999 and last year by about US\$18.8 million. SanDisk said the acquisition of M-Systems, which requires shareholder and regulatory approval, should be completed in the fourth quarter this year.

Hardware

- **Electronic Data Systems (EDS), said it earned US\$104 million in the quarter ended June 30, compared to US\$26 million a year earlier.** The company, which runs other companies' computers, posted revenue of US\$5.1 billion, up from US\$5 billion in the same period last year. Analysts polled by Thomson Financial expected US\$5.1 billion. The company said it signed contracts valued at some US\$5.4 billion in the second quarter, more than doubling the US\$2.6 billion signed in the same period last year. Among the larger deals were a seven-year, US\$1.7 billion, contract with Kraft Foods Inc. and a six-year US\$700 million contract with Bank of America. The company looks to its profit margins increasing as it improves productivity and relocates more work to low-cost foreign countries. Already, the company said it has increased its presence in India by taking a majority stake in Mphais BFL and revealed its plan to merge the Indian outsourcing company with its own local subsidiary. EDS looks to its revenues for the entire year to hit between US\$21 billion and US\$21.5 billion, an increase of US\$1 billion over its prior guidance, and contract signings of US\$23 billion to US\$25 billion.

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- **Eastman Kodak Company, the world's largest photography firm, announced that it would move the manufacture of its consumer digital cameras, including from its Shanghai unit, to Flextronics International Ltd as part of a cost-cutting strategy.** The agreement was arrived at following the company's seventh straight quarterly loss and a cut to its full-year revenue forecast, as the company finds the move into digital cameras to be more challenging than expected. Flextronics is an electronics manufacturing services provider based in Singapore. Under the agreement, Flextronics will take over Kodak Electronics Products Shanghai Co Ltd and the Kodak Product Centre Japan Ltd in Chino and Yokohama, Japan. Flextronics will also manage the operations and logistics service for Kodak's consumer digital cameras. A spokesman for Kodak (China) Co Ltd said that the shift does not mean Kodak will quit the consumer digital camera business. He said it would bring greater flexibility and cost efficiency to strengthen Kodak's leadership in the market.

Europe

Semiconductors

- **Royal Philips Electronics said it has decided to sell an 80.1 percent stake in its semiconductor unit to a private investment consortium for 6.4 billion euros (US\$8.2 billion).** Under the deal, the group composed of U.S.-based Kohlberg Kravis Roberts & Co and Silver Lake Partners ,along with Dutch-based AlInvest Partners, would buy the stake with Philips retaining the remaining 19.9 per cent stake in the business. The decision, which reflected well in the rise of Philips stock on the Amsterdam Stock Exchange, has been described by a top company official as a “defining moment for both Philips and its semiconductors business”. In 2005, Philips was the world's ninth-largest maker of semiconductors by sales. The company expects the transaction to be completed in the fourth quarter of this year, subject to closing conditions, including governmental and regulatory approvals. In a statement, Philips said it plans to return to shareholders 4 billion euros (US\$5.1 billion) by the end of next year through a combination of dividends and share repurchases. The company said it is considering investing in more acquisitions.

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Other Economic Data

Currency Exchange Rates

Currency	Units	Current Rate (on 8/4/06)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change Last 12 Mth.
Japanese yen	¥/US\$	114.3650	-0.2%	-2.9%	11.4%	2.8%
Hong Kong dollar	HK\$/ US\$	7.7730	0.1%	0.2%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	7.9699	0.0%	-1.2%	-3.7%	-1.6%
Singapore dollar	S\$/ US\$	1.5707	-0.5%	-5.6%	-3.7%	-4.9%
South Korean won	KRW/ US\$	960.7500	0.7%	-4.9%	-7.2%	-5.1%
New Taiwan dollar	NT\$/ US\$	32.7930	0.0%	-0.1%	3.3%	3.0%
Australian dollar	US\$/A\$	0.7657	-0.2%	4.5%	-1.9%	-0.9%
New Zealand dollar	US\$/NZ\$	0.6268	1.5%	-8.3%	-12.7%	-9.3%
Philippine peso	PHP/ US\$	51.3500	-0.3%	-3.3%	-8.7%	-8.0%
Euro	US\$/€	1.2883	1.0%	8.7%	-5.0%	4.0%
British pound	US\$/£	1.9069	2.3%	10.7%	-0.6%	7.1%

Fixed Income Prices and Yields

Note	Currency	Current (on 8/4/06)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	92.4531	4.99%	91.3125	5.11%	90.2835	5.12%
Japan 30-year	¥	100.1700	2.49%	98.6395	2.53%	98.6650	2.58%
Hong Kong 10-year	HK\$	99.9795	3.55%	99.9560	3.48%	99.8500	4.07%
China (06/16)	US\$	111.7832	3.28%	112.1937	3.24%	113.3400	3.11%
Singapore 10-year	S\$	97.0900	3.54%	95.8490	3.65%	95.4180	3.61%
South Korea 20-year	US\$	109.9235	5.13%	108.7448	5.24%	104.8600	5.50%
Australia 15-year	A\$	154.6730	2.32%	152.9795	2.37%	151.1880	2.46%
New Zealand (12/17)	NZ\$	101.7204	5.77%	101.0760	5.87%	101.3070	5.84%
Philippines 20-year	PHP	103.2747	10.86%	101.7902	11.18%	103.4380	10.85%
India 30-year	INR	85.1917	8.83%	84.0500	8.90%	89.0200	8.41%
UK 30-year	£	99.6250	4.31%	100.5180	4.22%	99.4822	4.28%
Germany 30-year	€	97.2870	4.23%	96.5940	4.23%	94.9850	4.30%

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