

IRG WMR



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

Week of 27 August - 2 September, 2006

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Equity Market Indicators					
Index	Closing Level (09/1/2006)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change 2005 Low
S&P 500	1,311.01	1.2%	5.0%	8.2%	15.3%
Dow Jones Industrial Avg.	11,464.15	1.6%	7.0%	6.3%	14.5%
Dow Jones Tech. Index	375.83	2.5%	0.2%	5.8%	20.3%
Dow Jones Telecom. Index	222.65	2.2%	10.4%	2.2%	12.9%
NASDAQ Composite	2,193.16	2.5%	-0.6%	0.8%	15.2%
The Street.com Net	210.75	2.5%	0.2%	1.2%	20.8%
Japan Nikkei 225	16,134.25	1.2%	0.1%	40.4%	49.0%
JASDAQ	93.03	-2.9%	-28.6%	3.0%	2.6%
Japan Mothers	1,296.10	-5.0%	-49.1%	-24.8%	-25.4%
Korea KOSPI Composite	1,356.67	2.1%	-1.6%	51.4%	55.8%
Korea Kosdaq	577.73	3.8%	-16.4%	51.9%	48.0%
Taiwan Stock Exchange	6,651.46	1.9%	1.6%	8.3%	18.1%
Singapore Straight Times	2,491.49	1.6%	6.1%	20.6%	20.9%
Hong Kong Hang Seng	17,423.72	2.8%	17.1%	22.4%	30.5%
Hong Kong GEM	1,158.00	1.5%	15.0%	17.1%	34.1%
China Shanghai (A-Share)	1,720.55	0.8%	40.9%	29.3%	61.9%
China Shenzhen (A-Share)	432.34	2.7%	49.0%	31.5%	76.7%
China Shanghai (B-Share)	91.06	0.9%	46.8%	20.4%	77.4%
China Shenzhen (B-Share)	290.93	1.6%	48.7%	32.4%	56.0%

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
8/29/06	Wireless Ronin Technologies [RNIN.US]	Software	US\$22.5	Provides digital signage solutions such as a suite of software applications that manage digital content over wireless or wired networks targeting retail and service markets.	Feldt & Co	

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 9/1/06	% Change From Offer
N/A						

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Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 9/1/06	% Change From Offer
8/30/06	Netage Group Inc [2497.JP] (Tokyo Stock Exchange)	Operates Internet related businesses, such as advertising, emailing, and e-commerce services	US\$18.0	¥ 600,000	¥1,000,000	66.6%

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
8/29/06	Digital Multimedia Tech [073780.KS]	Manufactures and sells digital set top boxes	8/31/09	US\$3.0	5,780 shares	7/31/09
8/29/06	Information and Communication Management Co.	Develops and markets system integration and system information software	8/31/09	US\$10.0	811 shares	7/31/09
8/28/06	Korea Telecom Data Inc. [0457600.KS]	Develops, designs, and markets geographic information software, such as database management	8/30/09	US\$3.0	3,344 shares	7/31/09
8/28/06	Systems Technology Inc. [039440.KS]	Produces semiconductor manufacturing equipment as well as maintenance service	8/31/09	US\$5.0	3,067 shares	7/31/09

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Weekly Highlights

International

Information Technology

- **Consumers contending with terminology and technology of radio frequencies when buying a device may be relieved as engineers look into mobile technology that will ease the communication process among products.** At the forum on 4G technologies, technicians are finding ways to determine whether frequencies now in use by other technologies can be shared with new devices. One idea is to come up with a single worldwide frequency, which would be key to allowing the new technology to work seamlessly worldwide. A Sprint Nextel official said consumers do not need to spend thousands of dollars for devices to work with various competing technologies to be able to roam worldwide. But as is often the case with trailblazing technology, a format and frequency problem is inevitable. Some companies are supporting the technology known as Mobile WiMax. South Korea has already launched a limited Mobile WiMax trial and plans to cover the capital, Seoul, with the service by early next year. However, in an indication of the difficulties in deploying a worldwide standard, the Korean system uses a different frequency than the one planned for Sprint Nextel's future network due to government restrictions.

Japan

Internet

- **Livedoor Co. said it booked a 6.4 billion yen (US\$54.6 million) group net loss in the nine-month period to June 30, due to the adverse effects of a scandal over alleged accounting fraud that resulted in the arrest of its former president and executives in January.** Livedoor said it had to book a one-off loss of 12.2 billion yen (US\$104.2 million) due to the discontinuation of a range of its business plans including one for an online bank. Livedoor withdrew a license application for the bank from the Financial Services Agency. Its operating revenue, however, went up by 94.6 percent to 101.7 billion yen (US\$868.7 million) because Carchs Co., a used car dealership formerly known as Livedoor Auto Co., had joined the group, allowing Livedoor to consolidate Carchs' financial results with its own. Carchs assumed its current name Aug. 1 after the scandal involving the parent company. Livedoor's group operating profit fell 0.9 percent to 6.1 billion yen (US\$52.1 million) as the recovery process for revenue from Internet advertising on its portal site was delayed with advertisers distancing from the company because of the scandal.

Mobile/Wireless

- **Industry sources said that Japan's Softbank Corp. has plans to make mobile phone customers refund the cost of subsidizing phones if they cancel their subscription within two years.** The move is seen as helping the company spread its costs over time and promote customer loyalty as the industry braces for a new rule from October that lets users keep their numbers when switching operators. The current situation typically allows Japanese mobile phone operators substantial subsidies to retailers to bring down the retail price of phones, or even offer them free of charge. They earn back the cost over time through monthly fees. Softbank's bestselling digital TV phones made by Sharp Corp. cost Softbank about 70,000 yen (US\$600) but are currently priced as low as 24,000 yen (US\$200). Softbank borrowed 1.2 trillion yen (US\$10.2 billion) to buy Vodafone Group Plc.'s local

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unit to become Japan's third largest mobile carrier. Sources said that Softbank also aims to catch up with industry leader NTT DoCoMo Inc and KDDI Corp. by expanding its network and making new phones.

- **Sony Ericsson disclosed its plans to further develop its PlayNow service, currently used for downloading ring tones, with the company spokesperson not stating the details of the “further development”.** Many phone makers have invested in online music downloading services, and handset makers see digital music as one of the key drivers for selling more expensive new phones, as they try to hold up their average selling prices despite surging demand for cheap phones on emerging markets. Nokia, the world's largest handset maker, said at the start of August that it was buying U.S.-based digital music distributor Loudeye Corp. for US\$60 million.
- **Vodafone Japan K.K. said it would charge its customers 2,100 yen (US\$18) to cancel their contracts when transferring their phone numbers to different service providers.** With Vodafone's announcement, all three major cell phone firms have set their cancellation fees at 2,100 yen (US\$18). The other two firms, NTT DoCoMo Inc. and KDDI Corp., have already announced their fees. The cell phone number portability service allows customers to transfer current phone numbers to other mobile phone services. In a related development, Vodafone Japan K.K. said it will change its name to Softbank Mobile Corp. The brand name will continue to be Vodafone.
- **NTT DoCoMo disclosed its plan to dissolve Allucher, its subsidiary in Japan involved in marketing and consulting services for mobile phone use for businesses.** The company said it made the decision to “encourage employee entrepreneurship.” Industry observers note, however, that the changing business environment has made it difficult for Allucher to continue its business, and that it has been unable to meet its revenue and profit targets. The liquidation is expected to be completed in January 2007. The company said the dissolution is not expected to have a significant impact on DoCoMo's consolidated or non-consolidated results of operations.

Media, Entertainment and Gaming

- **Industry sources said a Tokyo local TV broadcaster started posting its TV shows on YouTube and other web sites that offer free videos, primarily uploaded by amateurs.** The move runs counter to the position of many TV broadcasters that see such sites as a threat to their business, a situation that saw many TV programs uploaded in violation of copyrights, and broadcasters stepping up their surveillance of such violations. The Tokyo Metropolitan Television Broadcasting Corp. (MXTV), however, said it intends to use the web sites to expand its viewers, sharing its programs with people around the world. The regular broadcast range of MXTV is limited to 8.5 million households in the Tokyo area. It will post BlogTV, a 30-minute program that introduces writers of popular blogs and discussions of topics picked up from blogs. MXTV said it is considering distributing programs to Japanese video Web sites, too, with the company claiming that it will not violate copyrights, as it has won approval from the program's sponsor Digital Garage Inc., a Tokyo-based Web-related business, as well as the show's personalities. YouTube started in February 2005. Though it was initially intended for sharing private videos, more and more recordings of TV programs are being posted in violation of copyrights.
- **MTV Networks, Viacom's music broadcasting unit, said it has agreed to acquire all the shares it does not already own in MTV Japan from private equity firm H&Q Asia Pacific.** The acquisition is MTV's second biggest outside the U.S., after its purchase of German broadcasting channel Viva for 308 million euros (US\$395 million) in 2004. The source said MTV Japan was buying 68 percent of the company to boost its ownership to 100 percent. Spokesperson for both sides of the

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transaction declined to comment on the exact value of the deal. Upon completion of the deal, MTV Networks is expected to add the children's television program service Nickelodeon and the digital media brand Flux to its MTV Japan business line-up. H&Q Asia Pacific, which has about US\$400 million for investment according to the Hong Kong-based research firm AVCJ Group Ltd., was instrumental in bringing the MTV brand to Japan in 2001. It bought a Japanese music channel in 2000 and created a joint venture partnership with MTV Networks that became MTV Japan. Over the past 18 months, MTV Japan's advertising growth has grown by 19 percent.

Hardware

- **Sony Corp. announced its plans to release a player in Japan after October, giving Toshiba at least a six-month head start. Sony's Blu-ray high-definition DVD competes with Toshiba's format.** Toshiba started sales of its HD DVD player in March. Sony and Toshiba are seeking support from movie studios and computer companies for their high-definition DVD formats that offer better picture quality and greater recording capacity. Sony, which delayed the introduction of its PlayStation 3 game console until November because of Blu-ray, is competing with Toshiba to set the standard format for home entertainment, as it did with Betamax against Video Home System tapes during the 1980s. Toshiba said between 100 and 150 HD DVD titles will be available in Japan and Europe by December, and 150 to 200 movies in the U.S. The Blu-ray disc can store at least five times more than the 4.7 gigabyte standard DVD and Toshiba's HD DVD can contain at least three times more content. The Blu-ray format is supported by Samsung Electronics Co., Apple Computer Inc. and Dell Inc. Toshiba's main backers for HD DVD include NEC Corp., Intel Corp. and Microsoft Corp. Global shipments of high-definition DVD players and recorders are expected to reach 800,000 units this year, and will rise almost eightfold to 6.2 million next year, according to market researcher ISuppli Corp. Standard DVD player shipments are projected to gain 4.4 percent to 162.3 million units.

Korea

Internet

- **LG Powercom is celebrating its first anniversary of launching into the high-speed Internet broadband market with its brand, "XPEED."** Hanarotelecom disclosed its goal of achieving 500 billion won (US\$520 million) revenue in the high-speed Internet service sector and 1 trillion won (US\$1 billion) in overall revenue next year. LG Powercom said it is aiming at securing 2 million subscribers to XPEED by next year, while providing a so-called "Triple Play Service," or TPS. Along with XPEED, Internet phone (also known as VoIP) and Internet television (or IP-TV) services are offered in a single package. Last year the company succeeded in getting 800,000 users to subscribe to its high-speed Internet service. It is hoping to expand the figure to 1 million subscribers in October of this year.

Mobile/Wireless

- **Samsung demonstrated what has been described as a super-fast mobile Internet platform at the Fourth-Generation (4G) Forum.** The wireless technologies of Samsung promise a downlink speed of 100 Mbps (megabits per second) for users on the move and 1Gbps (gigabit per second) for those at a standstill. The throughput of 1Gbps, which enables people to download 300 music files at 2.4 seconds or a movie file in 5.6 seconds, is even faster than today's maximum landline connectivity of 100 Mbps. Demonstration sessions took place at a specially designed bus, which showed 32 high-definition channel broadcasts, Internet access and video telephony at the same time. The mobile

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network is projected to become commercially available around 2010. The annual 4G Forum, which started in 2003, was designed to bring together the telecom industry, academe, service providers and regulators to create multi-perspective talks. Around 170 high-profile industry representatives from 20 countries participated in the fourth edition of the gathering this year on the topic of service requirements and spectrum for 4G.

- **Nokia and Sony Ericsson are reportedly eyeing their expansion into the Korean 3G mobile (WCDMA and HSDPA) market even as they still face a major barrier of the country's wireless Internet standard 'Wi-Pi'.** The world's first and fourth largest mobile phone companies are presently in talks with local wireless operators like SK Telecom and KTF, aiming to jump into competition in Korea. The firms said they are seeking to provide single band single mode phones without changes in platforms and software, so as to save initial costs. Nokia withdrew from the Korean CDMA phone market in 2003, and is preparing to make its re-entry into the market in 4 years. The company accounts for 33 percent of the world market, and is also the No. 1 provider of asynchronous 3G handsets. The company's expansion into the market will most likely change the landscape significantly. Sony Ericsson, which successfully launched 'Walkman Phone,' is also tapping into a deal with a local wireless operator via Sony. Industry observers point out, however, that the country's wireless Internet platform 'Wi-Pi' remains a stumbling block to their expansion. Nokia has been using smart phone operating system Symbian 'Series 60,' and will not likely adopt 'Wi-Pi' for business in Korea. KTF said it is talking with Nokia on Wi-Pi and other features such as DMB.

Media, Entertainment and Gaming

- **Functional game developer JoyN announced the launching of its open test service of the online version of Peeper, a board game that won the '2005 Korean Game Award' last year. 'Online Peeper' is designed for people with impaired sight as well as other game users.** Players can watch graphics appearing on the monitor, and people with impaired sight get assistance from the text-reading voice of the monitor. The board game is based on number analysis, requiring strategies rather than fast switches of graphics. The online version began to be developed in October last year, when Peeper was adopted for the 'e-Sports Festival for the Handicapped.' The game consists of simple rules, yet requiring strategic thinking. It is expected to become an effective tool to promote competitive spirit and calculation capabilities of handicapped students.
- **Hanarotelecom announced its acquisition of a 3.7-percent stake in Cinema Service and is entering into a strategic alliance with the local movie producer and distributor.** The country's second-biggest high-speed Internet service operator said the acquisition, amounting to almost 2.6 billion won (US\$2.7 million), is part of its effort to expand movie content for its IP TV service that was launched in mid July. Internet-protocol TV refers to packet-based, real-time broadcasting on the Internet, which offers more services for end users compared to traditional video services. The videos range from movies and dramas to educational content and even karaoke. Under the deal, Hanaro is allowed to provide movies produced by Cinema Service to subscribers via an Internet connection over the next five years. Hanaro said new subscribers to its Hana TV service have surpassed 44,000, with a daily average of 2,000 new customers. The company has signed contracts with 80 content providers, including Walt Disney Television, Sony Pictures, CJ Entertainment and National Geographic.

Telecommunications

- **SK Telecom announced its signing of a deal to acquire a substantial stake in the entertainment company IHQ.** The company said it will buy 8 million new shares of IHQ for 14.4 billion won (US\$14 million) by April in a bid to boost its mobile content business. They said the move

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will enable South Korea's biggest mobile phone operator to become the second-largest shareholder in the entertainment company. IHQ makes movies and television soap operas. In a separate development, it announced the launching of a mobile Internet roaming service for South Korean travellers abroad. The new service allows South Korean travellers' access to wireless Internet at airports, cafes and hotels in over 70 countries.

Hardware

- **Humax announced its move to launch Europe's first MPEG4-based high-definition satellite broadcasting-enabled LCD TV in the European market.** The company said that it has launched sales of its liquid crystal display TVs equipped with high-definition (HD) satellite tuners in Germany. The new HD TV has an HD tuner that follows the European broadcasting standard known as DVB-S2. Humax expects to ride a boom of advanced broadcasting technology in European markets, which are now switching from analogue to full HDTV. The company said it expects major broadcasting stations in Germany, Britain and the Netherlands to switch to HDTV format soon, creating fresh demand for its products. Humax also revealed its plans to sell other products such as a 32-inch cable-based HDTV and 42-inch satellite TV products in Germany within this year. It has been selling its LCD TV products equipped with a personal video recorder (PVR) function on European markets since March 2005. The company also started to sell its TV products in the U.S. in July. The company posted sales of 68 billion won in digital TVs last year, 11 percent of total revenues, and now aims to boost the figure to 160 billion won (US\$166.8 million), which stands for 20 percent of the total.
- **A domestic set-top box maker and a satellite broadcasting firm announced their agreement to co-develop a conditional access system (CASs).** Imports of CASs to the country are valued at some 300 billion won (US\$312.8 million) annually. The two companies – Celrun and Sky Life – signed a memorandum of understanding (MOU) to develop a HD-level digital satellite set-top box adopting CAS, with two companies planning to introduce a CAS solution and a digital set-top box by February next year before test services in March. Celrun and Sky Life said they aim to launch a commercial service in June next year. CASs are used to limit access to service to authorized subscribers, and domestic set-top box makers are now using foreign brands such as NDS. Celrun is now conducting field tests in China. The two companies said they expect the partnership to boost sales of solutions and set-top boxes, with sales forecasts to go beyond 300 billion won (US\$312.8 million) next year.

China

Internet

- **Baidu.com Inc. announced that it is considering a domestic listing, in a bid to move to its long-term aim to acquire search engine-related companies.** The company known as the "Chinese Google" said it has had informal talks with China's stock regulator, but added that such a listing was currently facing some legal obstacles. The problem is that there had not been any specific regulations, which allow the likes of Baidu to list domestically, with Baidu being a wholly foreign capital-invested company. Up to the present, no foreign firm has been allowed to list on China's stock markets. But regulators are considering allowing overseas firms to issue Chinese Depositary Receipts (CDRs), according to a document obtained by Reuters earlier this year. Baidu, which has said it plans to launch a blogging service called Baidu Space, said it had launched a beta version of the product in July.
- **Telstra Corp, disclosed its acquisition of a 51 percent stake in SouFun.com, a Chinese real-estate Internet portal, in a deal valued at US\$254 million.** The move of Telstra, Australia's biggest

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telecommunications company, is seen as a bid to counter declining sales at home. The company said its Sensis search engine would manage Beijing-based SouFun. A Telstra official stated that the company is looking to SouFun to bringing in net revenues and earnings before interest, tax, depreciation and amortization estimated at A\$52 million (US\$39.8 million) and A\$18 million (US\$13.8 million) next year. SouFun generates revenues by online advertising for real estate and home furnishings. Under the deal, the founder of the SouFun, Vincent Mo, will retain 30.9 percent share, with IDG, a venture capital firm holding 14.7 percent.

- **According to technology research firm Ovum, the mainland will become the world's biggest broadband market next year on nationwide demand for faster Internet.** The report singled out China Telecom and China Netcom leading the market as the dominant providers of broadband access services in the mainland, with their combined market share of 87 percent of subscribers. Ovum forecasted that China's broadband market would grow to 139 million subscribers by 2010. As of June, there were more than 45 million broadband subscribers in the mainland following an average annual growth rate of about 79 per cent since 2003. The growth opportunity for mainland firms is seen as being huge, since the mainland's broadband penetration rate is only 3.4 percent of the population, well behind many countries in Asia-Pacific. The International Data Corp (IDC) reported that worldwide broadband subscriptions would almost double in five years, expanding from about 205 million last year to about 400 million in 2010. Broadband beat narrowband last year as the primary method online households worldwide used to connect to the Internet, according to IDC.
- **China's online advertising market is predicted to hit 4.3 billion yuan (US\$548 million) in 2006, according to Analysys.** The research firm indicated the value of China's on-line advertising reached 2 billion yuan (US\$251.2 million) in the first six-months of this year. Analysys noted that the portals, sina.com, sohu.com and baidu.com, still lead the online advertising market in the country. Analysys released no details about their respective details.

Media, Entertainment and Gaming

- **Shanghai Media Group released a forecast claiming that 60,000 households in its home city will subscribe to its Internet television services by year-end.** The state-owned broadcasting company is offering the services in partnership with China Telecom and is the country's only licensed seller of Internet protocol television (IPTV) services. At present, it has 6,000 subscribers in the city. Shanghai Media looks to increasing revenues by using Internet television to tap growing web usage in the mainland and sell pay-per-view programming such as movies from Walt Disney and Sony. China Telecom is working with Shanghai Media to help boost its broadband Internet subscriptions, which have higher margins than its traditional fixed-line telephone business. China Central Television, the nation's biggest broadcaster and Guangdong Television had received government approval to test IPTV services but still had not been licensed to sell.
- **Walt Disney Internet announced that it has bought out the stake of at least one promoter of Mobile2Win's China operations: Contests2win, an online innovative brand advertising company.** Mobile2Win's other investors include Softbank China Venture Capital and Siemens Mobile Acceleration. Mobile2Win is a pioneer in creating mobile marketing solutions for brands in China and India through games, contests, greeting cards, wallpapers, and ring tones.

Mobile/Wireless

- **TCL Communication Technology Holdings, a mainland mobile handset manufacturer, reported a second-quarter profit of HK\$6 million (US\$771,000), compared with a HK\$77 million (US\$9.8 million) loss in the first quarter.** The company reported a 3 percent decline in its

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second-quarter sales to HK\$1.2 billion (US\$154,000) and a 55 percent rise in overseas sales that brought its total unit sales by 13 percent to 5.4 million. The mainland mobile handset manufacturer also predicted its business to break even this year. TCL Communication cut its sales forecast to 13 million units this year from 14 million it made a quarter ago, as it wants to avoid price competition with international brands such as Nokia and Motorola in the overseas markets. TCL Communication said it will continue to concentrate on the low-end market where Siemens and BenQ are major rivals, and will launch a new range of MP3 handsets to boost profitability. TCL Communication makes phones for foreign telecommunications carriers such as Vodafone, Orange and T-Mobile. The company also sells its handsets under the Alcatel brand it bought in October 2004 in Europe and North America.

- **South Korea' SK Telecom announced its agreement with the Chinese government to co-operate in developing 3G mobile technologies.** Under the deal, the country's National Development and Reform Commission (NDRC) would help the South Korean company strengthen its foothold in China's fast-growing wireless telephone market. SK Telecom said it would establish a joint research center in China to develop a 3G mobile telecom standard promoted by China called time division-synchronous code division multiple access (TD-SCDMA). China hopes to launch the TD-SCDMA service before the 2008 Olympics in Beijing and SK Telecom plans to build an experimental TD-SCDMA station in Korea next year. Both sides agreed to build a co-operative model of joint development "for not only TD-SCDMA technology but also beyond 3G technology and 4G.

Semiconductors

- **Shares of Semiconductor Manufacturing International Corp (SMIC), China's biggest microchip maker, registered a decline after Taiwan Semiconductor Manufacturing Co (TSMC) announced its move to sue the mainland company.** The suit alleges that SMIC had broken an agreement on intellectual property even as the mainland-based firm expressed its disappointment over the Taiwan-based company's decision to file the complaint. In January last year, TSMC and SMIC entered into a patent cross-license agreement under which each party agreed to license the other party's patent portfolio until December 2010. SMIC also agreed to pay TSMC an aggregate of US\$175 million in installments of US\$30 million for each of the first five years and US\$25 million in the sixth year. The latest suit, which was filed in the U.S., states that SMIC did not comply with that agreement which settled an earlier suit by the Taiwanese chipmaker, which claimed SMIC violated patents and trade secrets. According to IC Insights, TSMC holds a global market share of about 50 percent while SMIC has 7 percent.

Telecommunications

- **China Telecom Corp Ltd, the largest fixed-line operator in mainland China, posted a fall in its interim profits as it reports a net income of 14.1 billion yuan (US\$1.7 billion), down 4.2 percent from 14.7 billion yuan (US\$1.8 billion) in the year ago period.** Analysts had predicted a profit around the 14.3 billion yuan (US\$1.7 billion) mark. The company ascribed the decline to competition from the mobile sector. The company reported sales going up by 3.5 percent to 86.9 billion yuan (US\$10.9 billion), compared with 84 billion (US\$10.5 billion) a year ago. China Telecom also warned that it would not provide an interim dividend, due to the company's needs for sustainable business development, its cash flow position, and the need to maintain flexibility in funding. It said it would review the final dividend proposal at the time of reviewing the full year results. In another development, leading Indian cellular operator Reliance Infocomm and China Telecom announced they have signed a deal to provide the first direct telecom connection between the two Asian countries.

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Telephone calls between China and India, which have been contentious neighbors in the past, are currently routed through the US and Europe. Reliance Infocomm has some 15.5 million subscribers. With the alliance, it will now route calls through the under-sea cable lines operated by Flag Telecom, a UK-based wholly-owned unit it purchased in 2003.

Hardware

- **Haier Electronics Group announced its acquisition of the front-loading washing machine and water heater businesses of its parent Haier Group in a deal valued at HK\$900 million (US\$115.7 million).** The company explained the acquisition as a bid to turn the company into the listed flagship of its goods business. Haier Electronics said it will finance the acquisition partly by issuing one billion new shares and, partly to be funded by offsetting a HK\$60 million (US\$7.7 million) debt owed by Haier Group to Haier Electronics and Haier Electronics' sale of a loss-making mobile handset business to Haier Group for HK\$430 million (US\$55.2 million) in June.

Information Technology

- **Digital China Holdings Limited, a leading information technology services company, announced its results for the first fiscal quarter ended June 30, 2006, with the group's profit attributable to equity holders of the parent amounting to some HK\$54.8 million (US\$7 million).** The company said its sales posted a 42.9 percent rise year over year and 8.9 percent sequentially to HK\$5.6 million (US\$720,000). Digital China reported total turnover of HK\$5.6 million (US\$720,000) compared to HK\$3.9 million (US\$501,000) in the first quarter of fiscal year 2005-06. All three business units of the firm have achieved significant growth in turnover, as the Distribution Business (low-end IT product distribution) and the Systems Business (enterprise-level IT systems distribution) have also maintained a forward momentum in gross profit. Furthermore, the Service Business (software and system integration services) has won major contracts from leading industrial customers in the first quarter. Digital China is an information technology services company headquartered in Beijing. Digital China focuses on three major directions: distribution of IT products; software development as well as consultancy and systems Integration and related services.

Taiwan

Mobile/Wireless

- **BenQ Mobile disclosed its plans to introduce 20 new handsets in 2007, compared with 25 models planned for 2006.** According to a top official of the company, the reduced number of handsets is part of the company's strategy of being more focused in its product offerings. BenQ said about 30-40 percent of new handsets to be introduced in 2007 will support 3G technology, as opposed to a ratio of 20 percent set for 2006. BenQ said it also plans to expand the number of franchised shops in Taiwan marketing BenQ-Siemens branded handsets to 150 by the first quarter of 2007, up from 100 shops currently in operation.

Media, Entertainment and Gaming

- **The evening edition of Taiwan's largest daily, the China Times was re-launched via online. The daily folded in 2006 after 18 years of publication due to intense market competition.** The China Times Express (CTE) is expected to be published every evening in Internet edition from Monday to Friday. Readers can also print out the seven-page paper in PDF format, free of charge. The media's editor-in-chief stated that digital reading will become the future trend. The China Times has

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been struggling to maintain its leading position in recent years due to the fierce competition from electronic media and the invasion of Hong Kong tabloid Apple Daily into the Taiwan market.

Telecommunications

- **Chunghwa Telecom Co., Taiwan's largest phone company by revenue, said it will focus on mobile Internet services in the second half of the year to grow its revenue.** A top company official said that mobile Internet revenue is expected to post a 41.4 percent growth in the first half of the year, making it something that the company will be promoting aggressively. Chunghwa Telecom posted an 8.8 percent decline in first-half audited net profit to NT\$22.1 billion (US\$674.3 million) from the year-earlier period. The company said its Internet and data revenues grew 10.7 percent to NT\$22.5 billion (US\$686.4 million) in the first half compared to the same period last year. Its mobile phone revenue posted a 1.5 percent rise to NT\$36.1 billion (US\$1.1 billion), while fixed-line revenues fell 5.6 percent to NT\$30.5 billion (US\$927.1 million).

Hardware

- **Quanta Computer Inc., the world's largest contract maker of notebook computers by shipments, reported that its second quarter net profit were flat due to losses in an affiliate that makes display panels.** The company said its net profit in the three months ended June 30 was NT\$2.1 billion (US\$64.1 million). Quanta Computer booked an investment loss of NT\$1.4 billion (US\$45.3 million) from its 27 percent stake in Quanta Display Inc. The loss was bigger than its NT\$850 million (US\$25.8 million) investment loss in the firm in the same period last year. Quanta Computer's total second-quarter investment losses amounted to NT\$1.1 billion (US\$34 million), up from losses of NT\$323 million (US\$9.8 million) for the same period a year earlier. Analysts said Quanta Computer's widening investment loss from its holding in Quanta Display was the result of a sharp drop in liquid crystal display panels because of oversupply. Quanta Computer's unconsolidated revenue rose to NT\$100.9 billion (US\$3 billion) in the second quarter from NT\$87.7 billion (US\$2.6 billion) in the year-earlier period. The company said it expects its shipments of notebook computers to rise by 10 to 20 percent in the July-September period from the second quarter.
- **Acer Inc. said its second-quarter net profit rose by 35.7 percent to NT\$3 billion (US\$93.6 million) from the same period last year, despite falling operating income.** Acer reported a net profit of NT\$2.2 billion (US\$67 million) for the second quarter of 2005. Acer's operating income was down by 8.6 percent to NT\$1.5 billion (US\$46.1 million) in the second quarter from NT\$1.6 billion a year earlier, as a result of "aggressive PC price war and a worldwide notebook market slowdown," the company said in a statement. The company's second-quarter operating income was the lowest of any quarter since the third quarter of 2004, when it was NT\$720 million (US\$22 million). Acer said its consolidated revenue rose 10.9 percent to NT\$72.8 billion (US\$2.2 billion) in the second quarter from NT\$65.6 billion (US\$2 billion) in the year-earlier period.

Hong Kong

Mobile/Wireless

- **SmarTone Vodafone, the mobile arm of Sun Hung Kai Properties declared all of its attributable income as shareholder dividend after its full-year profit plunged 78.6 percent to its lowest in four years.** The mobile arm of Sun Hung Kai Properties, reported a decline in its net profit to HK\$70 million (US\$8.9 million) from a restated HK\$326.9 million (US\$42 million). The company ascribed the decline to higher cost of handset subsidies and network start-up costs. The company also

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took a HK\$58 million (US\$7.4 million) accounting charge related to its 3G license cost. SmarTone said its revenue went up by 14 percent to HK\$3.7 billion (US\$475.7 million) from HK\$3.6 billion (US\$462.8 million). Industry observers note that the company's payout ratio had been the most generous among the three listed mobile firms. Neither Sunday Communications, now under PCCW, nor Hutchison Telecom International paid dividends in their last full fiscal years. SmarTone registered 1 million total customers at the end of June, of which 160,000 are 3G service subscribers. The company plans capital expenditure of up to HK\$500 million (US\$64.2 million) this year. It reportedly spent HK\$359 million (US\$46.1 million) a year ago.

Media, Entertainment and Gaming

- **Hong Kong's two free-to-air television broadcasters – Asia Television and Television Broadcasts – are reportedly set to decide in October whether to adopt a European-developed digital terrestrial television standard or a mainland system that is a fusion of U.S. and European technology.** Asia Television is seen as following the mainland standard. TVB officials were quoted as saying they wanted to test the mainland system before making a decision. They had said earlier that they would go with the rival European standard if the central government failed to act by the end of the year. In the event that the two broadcasters do not come to an agreement, the government will step in to mandate a common standard. Industry observers see the timing of the decision as important if Hong Kong-based broadcasters are expected to meet the deadline of digital services in 2006.

Singapore/Malaysia/Philippines/Indonesia

Hardware

- **Creative Technology may not have really suffered a loss in the market, as the latest developments appear to give it new markets for its speakers and headphones.** Earlier, industry observers saw the Singapore-based firm as having lost to Apple Computer in the battle for global MP3 player dominance, with Creative Technology going into red for the year to June with a reported loss of US\$118.2 million. A settlement agreed between Apple and Creative Technology in which the Apple will pay Creative US\$100 million to settle a dispute over patented technology used in its iPods and Nanos will also allow Creative to join Apple's "Made for iPod" program. This means that Creative can make and market its own line of iPod accessories. The selling of accessories for iPod is a cottage industry by itself, according to a technology analyst with OCBC Investment Research. The research group said the market is worth from US\$2 billion to US\$4 billion. Despite the good news, analysts see Creative as facing a difficult task ahead following its heavy investment in the last 2 years in its bid to face Apple's strong market presence.
- **VSNL Singapore, the international arm of Indian carrier VSNL, said it plans to build a new high-capacity submarine cable system linking Singapore, Hong Kong, and Japan.** The firm said the new intra-Asia cable will enable VSNL International to better serve its global customers doing business in and with the burgeoning Asia-Pacific markets. This investment follows the recent announcement by VSNL to build a new system from India to Europe that will provide connectivity to the Gulf region and the African continent. The intra-Asia cable, when combined with the Tata Indicom Cable System and the TGN-Pacific cable system, will complete VSNL International's multi-Terabit capability from India to Asia and onward to the US, the carrier said. VSNL International will commence construction of the new intra-Asia cable by December. The company is already in the

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process of finalizing design details, selecting suppliers and identifying additional partners for the project. Future potential landing stations for the cable include locations in China, Taiwan, the Philippines, Vietnam, Malaysia, and Guam.

Telecommunications

- **Tribune Co, which owns daily newspapers in 10 U.S. cities, announced its decision to do away with 250 jobs at its circulation call centers and outsource the operation to the Philippines.** The company said calls about circulation and delivery would be shifted to APAC Customer Services, which has operations in the Philippines. An official revealed that about 1 percent of Tribune's publishing operations, would be cut when the shift is made starting this autumn and into next year. The decision is seen as giving the media firm a cost savings of some US\$200 million.
- **Singapore Telecommunications Ltd has joined the band of carriers offering WAN (wide area network) services in North America and Europe, unveiling an Ethernet service initially available in the U.S. and UK, as well as Asian markets such as Japan, Korea, Taiwan and Hong Kong.** The ConnectPlus Ethernet-VPN service offers any-to-any connectivity between any of the countries on the list, with class-of-service and service-level guarantees. It said it runs over its Multi-Protocol Label Switching network and is ideal for customers who are currently using international data wide-area networks but wish to retain control over their network routing. SingTel joins India's VSNL and Flag Telecom, as well as Japan's NTTCom, all of which are seeking to attract North American and European corporate customers away from the Big Four of global WAN services: BTGS, Orange Business Services (formerly Equant), Verizon, and AT&T. Ethernet services in particular are tailored to appeal to the financial community, where there is a requirement for high-bandwidth connectivity between relatively few sites.
- **Disney announced last month it would purchase 100 percent stake in India's United Home Entertainment for US\$30.5 million.** United Home owns a 24-hour children's TV channel, known as Hungama. In a related development, Walt Disney also announced it would purchase a 14.9 percent stake in the content provider UTV Software Communication for US\$14 million. Industry observers note that the U.S.-based entertainment giant is interested in this market. Startups like M2W and United Home Entertainment created local content in a market they knew well, making it easy for Disney to get a firm foothold in alien territory. Analysts indicate that the wireless space in India and China are attractive as both countries add over 5 million new subscribers every month. Subscribers are also big users of value-added services such as SMS (short message service), ringtone downloads, and casual games. Venture capitalists and large companies want a piece of the cake. Earlier, reports show that OnMobile, the telecommunications company spun off by Infosys, raised around US\$35 million in a third round of funding from Goldman Sachs, Deutsche Bank, and two more private equity players. OnMobile powers the voice portals of most Indian telephone companies.

United States/Canada

Internet

- **Google. Inc. said it will supply online auctioneer eBay Inc. with web search advertising outside the U.S., as the two companies announced their alliance on "click-to-call" ads that link online shoppers to vendors.** Paid search advertising lets marketers bid for ad space next to keyword search results. eBay said that for international online text advertising, it will rely exclusively

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on Google instead of Yahoo Inc., which in May struck a parallel deal to handle eBay's U.S. ads. The eBay contract is part of a string of deals for Google this month. It also plans to begin testing an ad-supported web video syndication system with Viacom Inc.'s MTV Networks, and it has struck a deal to supply ads to MySpace users and other web properties of News Corp. In a separate development, Google said it was moving beyond search and advertising into the business software market, starting with a set of web programs for e-mail, scheduling and communications, with the company saying it plans to add additional programs later.

- **MySpace said it will make its first move into the digital music business by selling songs from nearly 3 million unsigned bands.** The company is the latest to try competing against Apple Computer Inc.'s iTunes Music Store, but unlike many other start-up rivals, it already boasts 106 million users, as well as the backing of parent company News Corp. The company said its goal is to be one of the biggest digital music stores. In the past year, MySpace.com has become the single most visited Internet address among U.S. Web users, according to Hitwise, with mainly teenagers and young adults using the site to socialize, share music and photographs. Before the end of 2006, MySpace said it will offer independent bands that have not signed with a record label a chance to sell their music on the site. MySpace says it has nearly 3 million bands showcasing their music.
- **A new advertising-based free music web site called SpiralFrog, with the backing of Universal Music Group, is seen as creating a model that could challenge market leader Apple Computer's iTunes.** SpiralFrog said it is aiming to launch its service later this year. The site is considered to be the first to offer free, legal music downloads to customers willing to watch online ads. Industry observers see the offering, as making its presence felt in an online music sector that is dominated by Apple Computer's iTunes Music Store, whose marketing of 99-cent song downloads, has become the standard market model. A top official of SpiralFrog said the service would offer an alternative to the pay-per-song model as well as the widely used practice of illegal file swapping. The official also said the web site would provide high-quality legal downloads with protection against viruses and spyware. It will have built-in digital rights management technology to prevent illegal copies of the downloaded songs. A spokesperson from Universal called the new offering as one of the many online ventures being backed up by the music firm.
- **Google revealed its plans to enable consumers to download and print free of charge classic novels and many other, more obscure books that are in the public domain.** With Google's Book Search service, users can now look for titles and be able to download PDF files of the books for later reading, to run keyword searches or to print them on paper. Up to now, the service only allowed people to read the out-of-copyright books online. Google supports the service by showing its small, keyword-generated text ads on search-result pages. The download initiative does not include any books under copyright. Google's Book Search service is the product of its Books Library Project, which is digitizing books from leading libraries around the world in order to make them searchable online. Its partners include the University of Michigan, Harvard University, Stanford University, Oxford University, the University of California and the New York Public Library. Google is also conducting a pilot project with the Library of Congress.
- **AOL announced the scheduled debut of its revamped web-based music download service, adding music videos, streaming radio and user community features.** The new version of AOL Music Now offers about 2.5 million audio tracks and thousands of music videos. Audio tracks can be bought individually for 99 US cents, while music videos cost US\$1.9 each. The service also offers unlimited downloads at a monthly rate of US\$9.9, or US\$14.9 for the ability to transfer songs to compatible portable music players. An analyst with Inside Digital Media noted that AOL is making

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itself more competitive with rivals by boosting its video content. Other established online music services sell video content or allow computer users to view but not download videos free of charge. The AOL Music Now subscription plan, however, allows unlimited music video downloads.

- **Yahoo announced that through its “Yahoo Go for Mobile” suite, it made e-mail, Internet search and other services available on mobile telephones with Microsoft's Windows Mobile operating systems.** Yahoo said that its services would be available to millions of telephones worldwide and said it made deals with leading handset manufacturers to feature its Go for Mobile software on new devices. Earlier in July, Motorola announced it would pre-install Yahoo's internet search facility, e-mail and address book on its new mobile telephones from the first half of next year, the multi-year deal seen as making "Yahoo Go for Mobile" a standard feature on tens of millions of handheld devices Motorola markets in Europe, Asia, and the Americas, according to the companies.

Media, Gaming and Entertainment

- **Viacom announced its teaming up with private equity group Apollo to submit an offer for BMG Music Publishing in a bid battle that could top 1.5 billion euros (US\$1.9 billion).** BMG Music Publishing is being sold by German media conglomerate Bertelsmann to help finance a 4.5 billion-euro (US\$5.7 billion) buyback of a minority stake in the company. Universal Music was reportedly also planning to turn in an offer. Bertelsmann originally sent financial information about BMG Music Publishing to 15 firms, and this group was later halved after the initial bidding. Other companies originally in part of the bidding scenario included a consortium of EMI Group with U.S. buyout firm Kohlberg Kravis Roberts & Co, although one of the sources said the pair did not submit an offer by deadline. Industry sources said Sony Music had also decided not to bid. The report said it was not clear whether private equity firm GTCR, which sources said was considering its options, had submitted a bid.

Information Technology

- **ATS Automation Tooling Systems Inc. announced today that its newly formed subsidiary Photowatt Technologies Inc. has filed a registration statement with the U.S. Securities and Exchange Commission and a preliminary prospectus with Canadian securities regulators relating to its initial public offering of common shares.** ATS said it will transfer its solar business to Photowatt Technologies Inc. upon the successful completion of this offering. BMO Capital Markets and UBS Investment Bank are joint book-running managers for the initial public offering by Photowatt Technologies Inc. ATS Automation Tooling Systems Inc. provides innovative, custom designed, built and installed manufacturing solutions to many of the world's most successful companies. Founded in 1978, ATS employs approximately 3,800 people at 26 manufacturing facilities in Canada, the U.S., Europe, Southeast Asia and China.
- **US-based Converse, a subsidiary of Converse Technology, has signed a definitive agreement to acquire privately held Netonomy for approximately US\$19 million in cash.** Converse said it sees the acquisition of Netonomy as extending its portfolio of real-time billing and customer management solutions for communication service providers by the tools it adds to boost efficiency and enhance the customer experience. Netonomy's self-service application suite allows consumers, enterprises, and retailers to activate and manage subscriptions, buy new products and services, and review, analyze and pay bills using virtually any communication device. Netonomy customers include Bouygues Telecom, several Orange operators, T-Mobile UK, Telstra and Vodafone UK. The acquisition is subject to customary closing conditions.

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Europe

Telecommunications

- **Canada's telecommunications equipment giant Nortel Networks Corp. announced the signing of an agreement to sell its money-losing UMTS high-speed wireless infrastructure division to France's Alcatel SA in a deal worth US\$320 million.** Nortel said the sale of its UMTS (universal mobile telecommunications system) access business will enable it to simplify its operations and reinvest that money into product lines where it has a stronger market position and better profitability. The proposed sale includes Nortel's UMTS access product portfolio made up of the radio network controller and node B products, along with related services, applications, customer contracts and assets. The company said that the sale, however, does not include an array of the company's other wireless access product lines, such as its UMTS core circuit and packet assets, LTE (long-term evolution) technology, GSM and CDMA wireless products. With the deal, Alcatel said the company will now become one of the world's largest suppliers of UMTS radio access products, which allow big telecom companies to offer wireless broadband access, at a time when the market is expanding rapidly. The two companies still have to reach a definitive deal and an agreement is subject to regulatory and other approvals.
- **Belgacom announced that it has agreed to buy Vodafone Group's 25 percent stake in Proximus for 2 billion euros (US\$2.6 billion), giving it full control of the mobile operator.** Belgium's biggest telephone company said it expected the deal would add 6 percent to 7 percent to next year's earnings, citing "significant synergies" and tax savings as it struggles with falling revenues from its main market, traditional telephone calls. Belgacom disclosed it would finance the acquisition with a bridge loan in the short term and a possible bond offering in the long term. It will also use the 67 million euros (\$86 million) it will receive by selling off its 5.8 percent stake in French telecom firm Neuf Cegetel. France's second largest mobile operator, SFR, has agreed to buy Neuf Cegetel in a decision announced earlier. Belgacom said these deals were part of its plan to focus on its core market, saying it would continue to roll out new services such as digital TV and broadband Internet in Belgium.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 9/1/06)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change Last 12 Mth.
Japanese yen	¥/US\$	117.0900	-0.2%	-0.6%	14.1%	5.8%
Hong Kong dollar	HK\$/ US\$	7.7781	0.0%	0.3%	0.1%	0.1%
Chinese renmenbi	RMB/ US\$	7.9532	-0.3%	-1.4%	-3.9%	-1.8%
Singapore dollar	S\$/ US\$	1.5721	-0.5%	-5.5%	-3.7%	-6.5%
South Korean won	KRW/ US\$	960.5500	-0.1%	-4.9%	-7.2%	-6.8%
New Taiwan dollar	NT\$/ US\$	32.8775	0.0%	0.2%	3.6%	1.2%
Australian dollar	US\$/A\$	0.7671	1.3%	4.7%	-1.7%	1.9%
New Zealand dollar	US\$/NZ\$	0.6555	3.0%	-4.1%	-8.7%	-5.5%
Philippine peso	PHP/ US\$	50.7450	-1.4%	-4.4%	-9.8%	-9.4%
Euro	US\$/€	1.2836	0.6%	8.3%	-5.3%	4.9%
British pound	US\$/£	1.9055	1.0%	10.6%	-0.7%	6.1%

Fixed Income Prices and Yields

Note	Currency	Current (on 9/1/06)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	94.1719	4.88%	93.3594	4.94%	92.1485	4.99%
Japan 30-year	¥	102.0100	2.38%	102.6160	2.42%	100.1710	2.49%
Hong Kong 10-year	HK\$	105.5545	4.36%	104.6507	4.36%	102.5460	4.58%
China (06/16)	US\$	113.0287	3.15%	112.4821	3.20%	111.7800	3.28%
Singapore 10-year	S\$	98.0090	3.46%	97.8160	3.48%	96.8320	3.54%
South Korea 20-year	US\$	111.0374	5.10%	111.4706	5.02%	109.9230	5.13%
Australia 15-year	A\$	156.1755	2.20%	155.6220	2.24%	153.6570	2.35%
New Zealand (12/17)	NZ\$	101.9183	5.74%	101.5557	5.84%	101.8540	5.77%
Philippines 20-year	PHP	99.6533	10.80%	103.7464	10.82%	103.2750	10.86%
India 30-year	INR	87.2432	8.60%	86.8491	8.65%	85.1917	8.82%
UK 30-year	£	102.3280	4.12%	101.7570	4.16%	99.8671	4.27%
Germany 30-year	€	100.1220	4.01%	99.2470	4.05%	97.3370	4.16%

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