



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

***Week of 24 September - 30 September, 2006***

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Equity Market Indicators					
Index	Closing Level (09/22/2006)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change 2005 Low
S&P 500	1,314.78	-0.4%	5.3%	8.5%	15.6%
Dow Jones Industrial Avg.	11,508.10	-0.5%	7.4%	6.7%	14.9%
Dow Jones Tech. Index	381.23	-0.4%	1.6%	7.3%	22.1%
Dow Jones Telecom. Index	227.59	1.4%	12.9%	4.5%	15.5%
NASDAQ Composite	2,218.93	-0.7%	0.6%	2.0%	16.5%
The Street.com Net	217.00	-1.2%	3.2%	4.2%	24.3%
Japan Nikkei 225	15,634.67	-1.5%	-3.0%	36.1%	44.4%
JASDAQ	88.31	-1.9%	-32.2%	-2.2%	-2.6%
Japan Mothers	1,175.18	-2.8%	-53.8%	-31.8%	-32.4%
Korea KOSPI Composite	1,348.38	-0.9%	-2.2%	50.5%	54.8%
Korea Kosdaq	599.42	-1.1%	-13.3%	57.6%	53.5%
Taiwan Stock Exchange	6,885.60	3.1%	5.2%	12.1%	22.2%
Singapore Strait Times	2,520.50	-0.1%	7.4%	22.0%	22.3%
Hong Kong Hang Seng	17,600.65	2.1%	18.3%	23.7%	31.8%
Hong Kong GEM	1,104.00	0.7%	9.6%	11.7%	27.8%
China Shanghai (A-Share)	1,812.69	0.1%	48.5%	36.3%	70.6%
China Shenzhen (A-Share)	446.55	1.5%	53.9%	35.9%	82.5%
China Shanghai (B-Share)	101.79	13.3%	64.1%	34.5%	98.3%
China Shenzhen (B-Share)	310.03	6.5%	58.5%	41.0%	66.2%

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
9/27/06	Switch and Data Inc. [SDXC.US] (NASDAQ)	Telecom	US\$150.0	Provides network neutral interconnection and co-location to Internet dependent businesses	Deutsche Bank/Jefferies & Co.	

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NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 9/29/06	% Change From Offer
9/28/06	Shutterfly Inc. [SFLY.US] (NASDAQ)	Operates an e-commerce Internet website offering a wide range of digital photography services and products	US\$87.0	US\$15.00	US\$15.55	3.6%

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 9/29/06	% Change From Offer
9/28/06	Furuya Metal Co. [7826.JP] (JASDAQ)	Manufactures and sells precious metal products such as platinum and iridium for industrial use in CD, DVD, and MD displays	US\$30.0	¥10,000	¥14,890	48.9%
9/26/06	MDS Technology Co., Ltd. [086960.KS] (KOSDAQ)	Specializes in smartphone software development, embedded systems integration and solution training	US\$16.9	KRW 13,000	KRW 18,100	38.5%
9/25/06	Contrel Technology Co., Ltd. [8064.TT] (Gretai)	Designs, manufactures, and markets integrated chipsets and are inspectors of TFT-LCDs	US\$29.2	TWD 73.00	TWD 80.00	9.6%

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
9/28/06	Uniboss Corp. [038870.KS]	Markets electronic information technology products, such as laptops, IT systems, and mobile accessories	10/11/09	US\$2.1	15,384 shares	9/11/09
9/28/06	Mococo Inc. [058900.KS]	Develops and provides a variety of integrated application software packages, such as enterprise application software integration	9/29/09	US\$7.0	1,388 shares	9/28/09
9/28/06	Digital First Inc. [046320.KS]	Imports and exports wholesale computers, such as UNIX and NT servers	9/29/08	US\$2.1	3,571 shares	8/29/08
9/25/06	BI & Tech Co., Ltd. [058550.KS]	Manufactures wireless telecommunication equipment and data transmission systems	9/26/09	US\$1.3	7,042 shares	8/26/09
9/25/06	Syswill Inc. [055970.KS]	Develops and produces communications systems solutions for telephony integration	9/25/09	US\$2.1	9,090 shares	8/24/09

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## International

### *Hardware*

- **A study notes that the digital TV terrestrial broadcast standard currently includes three types: Europe's DVB-T, America's ATSC and Japan's ISDB-T.** According to research firm WitsView Technology, with Brazil's adoption of the ISDB-T standard and news that China will be developing its own, significant changes are foreseen in the global TV industry. The DVB-T format is currently adopted by Europe, along with Taiwan, India, Australia and South Africa. The ATSC standard emphasizes the broadcast of high quality images, and is used by South Korea, Canada, Mexico and the U.S. Japan's ISDB-T format integrates the mobile receiving capabilities and high definition (HD) broadcasts into one platform. With the move by Brazil and China, experts are saying the global terrestrial broadcasting DTV industry is now transitioning to a multi-standard era. Argentina, Chile, Uruguay and Paraguay had already revealed they would follow in Brazil's footsteps. China made an official announcement at the end of August that it was keen in forming its own system. Recently, China finally approved standard number GB 20600-2006 –framing structure, channel coding and modulation for DTV terrestrial broadcasting system, which was actually an integration of both the DMB-T and ADTB-T standard. China is currently the world's largest TV maker with over 80 million TVs produced a year. Its domestic market demand takes up roughly 40 million while the other half is exported to other countries. Currently, China has approximately 400 million operational TV sets.

## Japan

### *Internet*

- **Sony Corp. announced its plan to launch an electronic book store on the Internet and start selling a device that displays e-books purchased from the store beginning in October.** Dubbed the Sony Connect book store, it will carry about 10,000 books from the top six publishers, including News Corp.'s HarperCollins and CBS Corp.'s Simon & Schuster. The company said the launch of the store coincides with the official debut of its highly anticipated electronics book reader, which reviewers have said mimic the quality of regular paper. The "Sony Reader Portable Reader" system will sell for about US\$350. Sony's latest generation reader attracted attention for the electronic ink technology it employs made by E Ink of Cambridge, Massachusetts. It uses new technology that allows digital text and graphics to be displayed without back-lit screens. Much like regular paper, the Sony Reader screen is not back-lit and requires a light source in the room to view the page.
- **Matsushita Electric Industrial Co. Ltd. and two other Japanese companies said they would set up a joint venture to sell electronic book readers and distribute novels and comics via the Internet.** The new company, to be established with a capitalization of US\$2 million, will be held 49.9 percent by Matsushita, 42.1 percent by Japanese publisher Kadokawa Holdings Inc., with the remainder owned by Tokyo Broadcasting System Inc., Japan's third-largest television station. The president of the new company, Words Gear Co. Ltd., said he aims for annual revenue of about 9 billion yen (US\$76.1 million) by the year ending March 2011 through hardware and content sales. The electronic book reader, developed by Panasonic maker Matsushita, is smaller than a paperback book and comes with a 5.6-inch liquid crystal display. Words Gear plans to launch the new terminal as early as November in Japan for about 40,000 yen (US\$344), and aims to sell about 10,000 units by March 2007. It has no specific plans at the moment for overseas sales. Matsushita started offering its first

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electronic book reader, called Sigma Book, in 2004, but has sold only several thousand of them due to limited software availability. Words Gear aims to offer up to 10,000 software titles of downloadable content by March.

- **Softbank Corp said it plans to raise about US\$12 billion via securitization of its earnings of the cell phone unit it bought from Vodafone Group.** The move would allow it to secure funds at a lower rate than would have been possible with conventional bank loans. Softbank bought Vodafone Japan for 1.8 trillion yen (US\$15.2 billion) after borrowing 1.3 trillion yen (US\$11 billion) in short-term bridge loans, which was arranged by 17 banks led by Mizuho Financial Group, Deutsche Bank and Citigroup. The scheme would set aside cash from Vodafone Japan for interest and principal payment and would mean that a huge part of its profit would be used to repay debt at a time when it faces tough competition from Japan's two largest mobile-phone operators NTT DoCoMo and KDDI Corp. Securitization of individual businesses is rare in Japan, with Softbank being the first company to securitize the cash flow of a particular business arm for such a large amount.
- **Japan Net Bank, a specialized Internet bank affiliated with Sumitomo Mitsui Banking Corp. (SMBC), announced that Yahoo Japan Corp. has obtained a 40 percent equity stake in the bank.** Under the deal, Japan Net Bank issued new shares worth 34.5 billion yen (US\$292 million) in total to the Internet portal and SMBC under a third-party share allotment scheme. The share allotment to Yahoo is based on their business and capital tie-up, agreed in March. Besides common shares, Yahoo purchased preferred shares. The new share issuance brought Yahoo Japan's stake in the bank to 40 percent from zero percent and reduced SMBC's stake to 40 percent from 57 percent. According to Japan Net Bank, when Japanese authorities give approval for Yahoo Japan to become a major shareholder of a bank, it plans to convert the preferred shares into common shares. For the new shares, Yahoo Japan paid 25.8 billion yen (US\$218.3 million), while SMBC, the core unit of Sumitomo Mitsui Financial Group Inc., invested 8.7 billion yen (US\$73.6 million). Japan Net Bank disclosed that it plans to use the fresh capital to eliminate its cumulative losses.

## *Hardware*

- **Hitachi announced that it is considering partnerships in the LCD television sector, even as it aims to bring its loss-making flat-screen television business back to profit.** Hitachi said it plans to turn its flat-screen television business around by the January-March quarter. To lower per unit costs, Hitachi has invested in an LCD venture along with Matsushita Electric Industrial and Toshiba, that aims to produce five million LCD panels by the half year starting from October next year. A top company official said that more partnerships may be needed to boost Hitachi's share of the LCD television market to 7 percent by 2010. According to DisplaySearch, Hitachi ranked 20th in LCD televisions, and fifth in plasma television sets. The company is reportedly losing money on both LCD and plasma TV sets.
- **Tokyo Electric Power Co., Asia's biggest power producer, revealed that it may sell fiber-optic networks to KDDI Corp., Japan's second-largest mobile phone operator.** Earlier, sources indicated that KDDI has agreed to buy Tokyo Electric Power's fiber-optic communications business for about 100 billion yen (US\$847.2 million) in shares. With the deal, the utility company will become the third-largest shareholder of KDDI, increasing its stake to about 8 percent from 4.8 percent. An insider source mentioned that the two companies are in discussion although no details about the negotiation have been released. A spokesperson for the Tokyo Electric Power also said that no official agreement to sell has been reached yet. If the deal pushes through, the acquisition will make KDDI Japan's third-biggest provider of fiber-optic networks, helping it challenge larger rivals Nippon

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Telegraph & Telephone Corp. and Usen Corp. Fiber-optic Internet services transmit movies, music and other data faster than conventional copper wires.

## *Information Technology*

- **Market sources said that four operators of electronic-money services have agreed to introduce uniform bill-settlement devices at stores and restaurants next spring.** The operators indicated their aim to have their services rendered more user-friendly and thus attract more customers. The four are the Suica service operator led by East Japan Railway Co., the iD service operator led by NTT DoCoMo Inc., the Edy operator bitWallet Inc. and the Quickpay operator led by JCB Co. Presently, the operators have used devices with different standards for accepting cards, making it hard to expand the number of businesses and customers that use the services. The four services have a combined 40 million users and 100,000 shops and restaurants. Under the deal, the Edy and Quickpay operators are likely to adopt standards for common devices being developed by JR East and DoCoMo. In a related development, a group of bus and railway operators in the Tokyo metropolitan area is planning to introduce a new e-money service, to be called Pasma, in March.

## **Korea**

### *Internet*

- **The country's three major portals are reportedly gearing for their entry into the Japanese market.** Daum Communication, which currently provides a mini homepage service "Cafesta" through its Japanese JV Taon, plans to revamp the site in December this year. The company's top official said that the company will work on recreating the web site for the next two to three months and then start massive promotion. SK Communications revealed its plans to start the full service of Cyworld in Japan next month. SK Communications said it is also making constant changes to its web site to cater to the needs of its Japanese users. An official at SK Communications stated that the Japanese market is a tough one to penetrate and did not expect rapid growth any time soon. NHN has not talked about details regarding its plans in Japan but analysts are considering it significant that the company's founder and CSO is heading the taskforce for a portal service in Japan.
- **LG Dacom stated that regulatory issues regarding IPTV will be resolved within the first quarter of 2007 even as it plans to start providing IPTV service in August next year.** According to the company and with data from industry sources, LG Dacom will set up an IPTV taskforce and develop an IPTV set top box by April next year. After a pilot service earlier in the year, with the company initially targeting its broadband subscribers, which is expected to grow to 1.7 million users by August next year. Analysts, however, say that LG Dacom will need to adjust its plans if regulatory issues surrounding IPTV are not solved by the second quarter of 2007.
- **Search portal Naver said it is setting up a 24-hour helpdesk as well as a User Committee in order to claim more social responsibility in providing news services.** The helpdesk will offer to victims of portal news and comments to news articles posted on Naver a place to go to when asking for the deletion of articles and other concerns. The company said the helpdesk will open in October.
- **Hanbitsoft announced that it would start commercial service of MMORPG, Neosteam soon.** Neosteam started open beta service last Aug in China. In a separate development, NCsoft announced that it has included Jay Interactive as a subsidiary. Jay Interactive is a developer of flash games. Industry experts speculate that NCsoft may be introducing flash games on its PlayNC portal.



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- **Daum Communication said that it will enforce DB search service making a strategic partnership for DB utilization with LG Electronics.** By this partnership, Daum provides manuals and product and showroom information of all products of LG except handsets through shopping search from next month. Users can find basic information as well as detail image, manual, and price comparison of LG products through the latest shopping search of Daum 'Shopping-How'.
- **Yahoo Korea and Microsoft Korea announced that they have officially started linking service of Yahoo Voice Messenger and MS Window Live Messenger.** Under the agreement, , 300 million users of Yahoo Messenger and MS Messenger can freely add communicator accounts in two way and exchange messages. With the offering, the users can also see message showing login status of partners, exchange emoticon, and confirm offline message. Yahoo Korea and Microsoft Korea have been conducting limited message link service since July.

## *Mobile/Wireless*

- **SK Telecom Co., South Korea's top mobile carrier, said that the number of customers using its mobile service has exceeded 20 million this month for the first time since it launched the wireless communications business.** The company, which started its analog mobile service in 1984, advanced into enhanced code division multiple access (CDMA) operation a decade ago. SK Telecom leads the South Korean market with a 50.7 percent stake as of the end of August, followed by KTF with 32 and LG Telecom with 17.3, according to data released by each company. Responding to local market saturation, SK Telecom said that it is also stepping up its efforts to expand into the overseas markets, opening its service in China, Vietnam and the United States.
- **Industry sources declared that a wide range of digital handsets supporting Wi-Bro are expected to hit the market at the end of this year.** Industry sources said small and medium-sized communications module and equipment makers are now making moves to develop a variety of mobile handsets such as notebook PCs, PDAs. Small and medium firms like Solitech and Moda Information Communication said they are ready to launch all-in-one Wi-Bro handsets designed to be installed in portable digital devices such as notebooks, portable multimedia players and digital cameras around the end of this year. Some of the new products are expected to improve power consumption and heat generation of the existing PCMCIA cards, increasing chances for link with 3G wireless communication (WCDMA/HSDPA) handsets. Repeater manufacturer Solitech said it is working on a Wi-Bro handset chipset used for mobile handsets like PDAs through Amicus, a subsidiary it established in the U.S. Convergence mobile handsets are also expected to hit the market, with Moda Information Communication now developing a handset with a wide range of communications interfaces such as Wi-Bro, wireless LAN, Bluetooth, electronic tags, DMB and geographic positioning systems.
- **SK Telecom Co. announced that the number of its customers in Vietnam has exceeded 1 million in three years since it launched mobile service in the Southeast Asian country.** SK Telecom, which controls more than 50 percent of the local wireless communications sector, started an operation in Vietnam called S-Fone in July 2003 as part of its overseas expansion efforts. To boost its business in the emerging market, SK decided in November last year to invest an additional US\$2.8 billion, which the company said helped strengthen its presence there. Analysts say Vietnam is one of the markets for mobile communications operators with high potential, as around one out of every 10 of its people carries a mobile phone. The pace of growth in mobile phone use in the country with a population of 80 million has been accelerating. The company said that, as of the end of 2005, the penetration rate more than doubled to 12 percent from 5.8 percent a year ago. SK Telecom forecast



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that the number will grow to 1.2 million by the end of this year. The company plans to unveil video-on-demand service for its Vietnamese customers in October, providing movies, dramas, music videos and as many as six TV channels, which it expects will increase its average revenue per user.

## *Media, Entertainment and Gaming*

- **Industry reports indicate that Gamevil and Moai, and Web EnG Korea are preparing the launching of new network games even as Com2uS is hitting the market with 'The World of Magic'.** Industry sources point to Gamevil as winning attention as it plans to release three mobile games developed over one year with the investment of 3 billion won (US\$3.1 million) in November or December. The company said the games are all role-playing game supporting real-time network named. 'Lapis Lazuli' to be opened in December is an original RPG game introducing real-time network warship system to mobile game. It supports diverse community elements like power map by guild and guild management through a web site and real-time auction of items. In addition, Gaia is an original fantasy action RPG game to be opened in December. Moai plans to start the beta service of a real-time mobile network game 'Jang Online' and is trying to cooperate with SK Telecom to open the game. Web EnG Korea plans to start the trial service of a real-time TRS mobile network game 'SD World War' beginning next month. Com2uS plans to enforce marketing for 'The World of Magic' and release diverse games that added network function to the existing games at the end of the year.
- **Cryptic Studios, the firm behind City of Heroes, announced its collaboration with Marvel Entertainment and Microsoft on a new massively multiplayer title for Xbox 360 and Windows Vista.** Until this announcement, Cryptic and Marvel had been fighting over the legality of the City of Heroes' character-creation tool's ability to create facsimiles of Marvel characters. With the partnership, Marvel Online will be part of the Xbox 360 and Microsoft's Windows Vista, which Microsoft is positioning as a key games software platform. The game is seen as making use of Microsoft's Live Anywhere cross-platform relationship that allows Xbox 360 and Windows Vista users to play alongside one another. The company said that the new venture will not affect continuing operations related to Cryptic's City of Heroes and City of Villains. NCsoft has no response regarding the business dealings of an independent company such as Cryptic Studios, however, NCsoft does expect to continue working closely with Cryptic on developing and maintaining the City of Heroes and City of Villains games into the future.
- **Industry analysts are calling Megastudy Co., an on and offline education service provider, as the favorite of KOSDAQ investors, as they cite its scheduled merger in November with Mbest Co., a service provider for younger schoolchildren.** Market experts say the company's earnings per share is likely to jump by nearly 44 percent from 4,695 won (US\$5) in fiscal 2006 to 6,766 won (US\$7) in 2008, with the company's net income forecast increased from 28.5 billion won (US\$30 million) to 42.9 billion won (US\$45.2 million) over the same period. According to Samsung Securities Co., Megastudy's third-quarter revenue, operating profit, and net income, before the merger are forecast to be 33.9 billion won (US\$35.7 million), up 38.9 percent from a year earlier, 14.9 billion won (US\$15.7 million), up 40.5 percent, and 11 billion won (US\$11.6 million), up 13.8 percent, respectively. Industry sources said that the online learning market is fast growing, and Megastudy, one of the pioneers in the industry, would continue to see its revenues from online services rise in proportion to the overall market growth.

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## *Telecommunications*

- **A local court said it has issued a decision lifting Onse Telecom Co. from receivership, and paving the way for the small South Korean fixed-line operator to realign its business.** The decision follows after the Suwon District Court placed Onse under court receivership in May 2003 due to debts amounting to 420 billion won (US\$444.6 million). Since then, the company has concentrated its efforts to overhaul and streamline its business structure, focusing more on Internet-based services. Earlier in August, Ubistar Co., a local communications equipment maker, received court approval for its acquisition of the embattled company for around 140 billion won (US\$147.8 million). Under the new management, Onse said that it plans to sell its broadband Internet service, which has around 300,000 subscribers and put the proceeds into other Internet applications related to telephony, TV and wireless services. In 2005, Onse posted 3 billion won (US\$3.1 million) in net profit on sales of 366.4 billion won (US\$386.8 million). The company posted net loss of 10.6 billion won (US\$11.1 million) during the first half of this year.

## **China**

### *Internet*

- **China.com announced the release of an updated advisory to shareholders regarding the impact that Chinese telecom regulations on its financial results.** The new policies issued in July include the requirement that subscribers provide double confirmations for orders and MVAS (Mobile Value-Added Services) providers send billing reminders to subscribers. These have resulted in China.com having fewer new subscribers for its services and higher cancellation rates, which then resulted to increased costs in getting new users. In particular, the company said that it predicts the revenue and net profit of its MVAS business unit to be significantly affected this quarter.
- **Industry sources said eBay China revealed that it is in early part of negotiation with Hutchison Whampoa's media flagship Tom Group to sell or merge part of the company with Internet portal business Tom Online.** For a long while now, eBay China has been the subject of rumors that it is looking to sell or merge its online auction business following its loss of market leadership to Alibaba.com's Taobao.com. The rumors came also after the mainland government issued news about plans to control foreign ownership of mainland Internet payment services. In 2005, the central government said that it will issue rules this year under which all Internet payment service providers, including eBay's 100 percent-owned PayPal, would have to have a mainland partner to offer such services in country. The news said that Tom Group may transfer eBay Eachnet operations to Tom Online so as to generate more users while the broader revenue base would help to support the auction business. According to China Internet Network Information Center, Taobao maintains about 67.3 percent of the mainland online auction market in the first six months, compared with eBay Eachnet's 29.1 percent. In other reports, Tencent Holdings, the mainland's largest instant messenger service provider with over 400 million users, is also identified as a potential buyer of eBay Eachnet.
- **The China Internet Network Information Center put the number of blogs in China as going beyond 34 million, a number that is more than 30 times as many as the country had four years ago.** The report said that about 17.5 million people in China consider themselves web log writers, with some 55 million regularly reading them. Industry observers see blogs as extremely popular in China as they provide people the only public forum for expressing their thoughts amidst the government control of media. Blogs in China generally deal with travel, pop culture and other non-

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political matters. China remains the world's second-largest population of Internet users after the U.S., with 123 million people online.

- **Alibaba announced its plans to go into Internet services, with the plan to include the country's largest online auction site available to mobile-phone users.** The announcement was made even as service providers have issued profit warnings amidst policies that require double confirmation from clients before they can subscribe to new services. The policies were said to be aimed at protecting users of mobile value-added products. Tom Online, the largest service provider by revenue, said third-quarter revenue could decline between 31 percent and 35 percent from the previous quarter. The top official of Alibaba, however, maintains that mobile-related services hold potentials, proof of which is in the short messaging and ring tones which posted a 44 percent growth to 48.3 billion yuan (US\$6 million) in 2005, according to Analysys. The official said his other business units are considering offering mobile services. These units include online auction site Taobao, the online payment division Alipay, and Alibaba, the business-to-business marketplace. No details about the plans were released by Alibaba.

## *Media, Entertainment and Gaming*

- **Recruit Holdings Ltd, announced its entering into a partnership with Netease.com to launch 1010job.com, a portal expected to provide job related data and information.** Recruit is a Hong Kong-listed recruitment advertising group. The agreement will allow some 160 million NetEase mailbox users to use a service called CV Through Train Service aimed to facilitate the job application process. The two companies said that under the deal they will provide more value-added service to users based on their "jobseeker-centered" concept. In separate developments, EnJapan, the second largest online recruitment web site in Japan announced it had agreed to cooperate with 800HR, a segmental recruitment website in Beijing. The largest recruitment web site from Ireland, Keyland, participated in the merger of two local recruitment web sites in Shanghai and Beijing, respectively. Taiwan's biggest recruitment web site, 104 HR bank, said it has already entered the Shanghai market.
- **WangYou Media announced that it has set up a strategic partnership with Baidu.com for the development and promotion of web-based multimedia content.** Under the agreement, WangYou Media will syndicate multimedia content, including user-generated film clips, short video series and entertainment programs to Baidu.com. WangYou Media is a firm that provides China's online youth community with a multimedia platform for creating, sharing, organizing and distributing all kinds of original digital amateur works.

## *Mobile/Wireless*

- **China Unicom Ltd., the nation's second-largest mobile-phone operator, said it is going to focus on neighboring countries as it tries to expand through strategic alliances with overseas operators.** China Unicom and bigger rival China Mobile Ltd. said they are seeking foreign partnerships to expand overseas and to develop local technology. Earlier in June, China Unicom disclosed that Korea's SK Telecom Co. will buy as much as US\$1 billion of its bonds convertible into a 6.7 percent stake. The two companies said they would co-develop handset and network technology and new services. In August, SK Telecom said it will help China develop its own standard for wireless networks, the first alliance China's government has signed with an overseas operator for 3G technology. China has not, however, said when it will grant licenses for 3G, or how many it will permit. The nation had 437.5 million cell-phone subscribers by the end of August, according to the Ministry of Information Industry.

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- **China Unicom and SK Telecom announced that they made a joint purchase of over 1 million mobile phones ever since they forged a partnership earlier this year.** At present, the two companies said they are negotiating with Samsung Electronics, Motorola and LG Electronics on buying six types of middle and high-end mobile phones, with the plan to purchase low-end mobile phones from other mobile phone manufacturers.
- **ZTE announced that its subsidiary has secured a contract to provide its 3G wireless technology to Copper Valley Wireless (CVW), an Alaska-based mobile phone operator.** ZTE said the deal will help CVW, a subsidiary of Copper Valley Telephone Co-operative, launch a digital wireless service early next year. No financial details of the deal were announced. With competition intensifying in the local market, ZTE said it is looking to expanding overseas. The company said its domestic sales went down by 8.8 percent to 6.5 billion yuan (US\$822 million) from a year earlier, with the mainland's contribution to its total revenue declining from 69.5 percent to 62.2 percent in the first half of 2006. Analysts are saying that ZTE will have a tough time competing in the foreign market with companies such as Alcatel, Sony-Ericsson and Siemens, with some observers downplaying the benefit that may be derived from the deal with the Alaskan firm.

## *Software*

- **Microsoft China announced that it would continue to enlarge investment in China, with the company stating that it work for the development of the local software industry.** In details, the company said that in the following five years, it will fulfill a US\$100 million strategic investments and US\$100 software outsourcing investments in China. With the investments comes the provision of training for about 80000 software talents as an effort to carry out an agreement reached with the Chinese government. Microsoft China said it will also invest more than US\$100 million each year in China to strengthen technology innovation in the country and recruit 500 developing talents to enlarge its developer team to 3000 people in the coming three to five years.

## *Information Technology*

- **iPico and the China RFID Alliance have announced that iPico's IP-X RFID technology will undergo testing in four RFID pilot projects in China.** The projects are expected to take place in Qingdao and will include the respective government bureaus and organizations in that place as well as Haier. A top official of iPico said that the IP-X technology platform is capable of making a valuable contribution to the successful roll-out of RFID in China.

## *Ventures/Investments*

- **Piper Jaffray & Company announced the opening of its new investment banking and research office in Shanghai.** The firm said the new office is part of its global expansion in Asia and Europe, with the firm offering service in investment banking and research. The firm has been active in the financial markets in Asia since 2000, having completed six IPO and follow-on transactions year-to-date and 20 transactions overall. The firm's first transaction for a company with China-based operations was a U.S. IPO for UTStarcom in 2000, followed by transactions for other leading Chinese technology companies including: Baidu.com, Ctrip.com and Tom Online.

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## Taiwan

### *Mobile/Wireless*

- **BenQ disclosed that its German mobile phone arm has filed for insolvency. The action was reportedly met by protests from unions and politicians who raise their concerns regarding some 3,000 employees losing their jobs.** BenQ said that it was withdrawing funding from the unit. A year ago, the Taiwan-based company after acquired it from German group Siemens. BenQ's top official said that it had placed a big amount of capital and resources into the subsidiary but the losses incurred pushed it to decide to close the German-based firm.

### *Telecommunications*

- **Chunghwa Telecom announced that it has raised US\$958.7 million through a sale of shares sponsored by the company on behalf of two major shareholders.** Taiwan's leading telephone company said the major shareholders are Taiwan's ministry of transportation and communications, which put on offer 505.3 million shares, and rival Taiwan Mobile, which sold 59 million shares. The government said it also sold 120 million Chunghwa Telecom shares to local investors, with the combined sales reducing the government stake in Chunghwa Telecom to 34.7 percent from 41.3 percent and will drop further after a recent capital reduction to 36.1 percent.

### *Semiconductors*

- **HannStar Board International Holdings, a maker of printed circuit boards (PCBs) for notebook computers, plans to list shares in Hong Kong on October 6, three days earlier than originally scheduled.** The manufacturer of printed circuit boards (PCBs) for notebook computers announced that it aims to raise some HK\$575 million (US\$74.2 million). The company said it plans to spend about 24 percent of the proceeds from the offering to buy new equipment and machinery for making high-density interconnections (HDIs) used in handsets and PDAs. HannStar Taiwan, the parent company which started to make HDIs five to six years ago with a monthly capacity of 30,000 square feet, said it will continue to sell in the local market while the Jiangsu-based and Hong-Kong-listed unit will start HDI production next year, with the goal of serving the overseas market.

## Hong Kong

### *Media, Entertainment and Gaming*

- **Sources said that the State Development and Reform Commission (SDRC) has approved the sale by News Corp of a 19.9 percent stake in Hong Kong-based Phoenix Satellite Television to the mainland's largest mobile phone operator.** The state media said that the acquisition would make China Mobile the second-largest shareholder of the broadcaster next to the Phoenix chairman holding 37.5 percent of the company. The acquisition will also result to the Star Group holding a 17.6-percent stake in Phoenix. News Corp did not say what it would do with its remaining shares in the broadcaster. Earlier in June, a statement was made that in exchange for direct access to China Mobile's network and customer base on favorable terms, China Mobile would have preferential access to Phoenix's news and selected programs. The statement said the deal would complement China Mobile's 3G strategies by widening its service offerings and providing enhanced media content to its mobile subscribers.



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## *Mobile/Wireless*

- **PCCW disclosed that it plans to make an offer to buy all the network assets and mobile-telephone operations of Sunday Communications, its listed subsidiary.** In December of 2005, PCCW also offered but failed to buy out minority shareholders in Sunday. The deal will require the approval of only a simple majority of independent shareholders present and voting at a special meeting, rather than the 90 percent required for a formal takeover. The source said that in the event that PCCW succeeded in buying Sunday's telecommunications assets, it might then revive a formal takeover offer for the company. Under Hong Kong takeover rules, PCCW cannot launch another offer for Sunday until one year after the failed bid. Huawei Technologies, the mainland-based telecommunications equipment supplier, owns 9.9 percent of Sunday, giving it almost enough shares to block a sale. Huawei could not be reached for comment although analysts note that the firm did not publicly oppose the earlier privatization move. PCCW offers 3G services under its own brand using Sunday's network.

## *Ventures/Investments*

- **VTech Holding announced that it is looking to its contract manufacturing services (CMS) business for future growth, a business which is expected to account for 33 percent of total sales in the next two to three years compared with 13.1 percent in the year to March.** The company said the unit posted a 23.2 percent rise in its revenue to US\$158.2 million for the year. VTech points to telecommunications products as its third source of revenue. The company launched V.Smile, a video game platform for children aged 3 to 7, in 2004 and has developed a total of 33 games. At least 95.6 percent of sales come from North America and Europe. Strong demand for V.Smile products helped the company beat market earnings expectations by more than a third in the year to March, with net profit posting a 126 percent growth to US\$129 million compared with a year earlier. Its sales went up by 17.8 percent to US\$1.2 billion. The company said its revenue from its e-learning products rose by 60.7 percent to US\$451.7 million, accounting for 37.5 percent of total sales, compared with 27.5 percent in the previous year. VTech said it is also looking to growth elsewhere as it faces increased competition in the e-learning market. VTech, which gets 47 percent of its revenue from Europe, compared with 29.5 percent from the United States and 23.4 percent from Asia-Pacific, forecasts the CMS business will grow up to 30 percent per year in the next few years. VTech recorded a profit in its telecommunication products business for the year ended March after restructuring, even as sales dropped 2.9 percent to US\$594.7 million.

## *Telecommunications*

- **PCCW-HKT Telephone revealed that it has increased the amount of loan it has been securing to HK\$10.1 billion (US\$1.2 billion), as a response to the strong interest from banks.** PCCW originally sought HK\$8 billion (US\$1 billion). A total of 16 banks, including HSBC, BNP Paribas and Calyon Corporate and Investment Bank, are providing funds for the six-year loan, which PCCW is arranging on its own.

## **Singapore/Malaysia/Philippines/Indonesia**

### *Internet*

- **Vantage released a statement saying it is evaluating its investment in the Internet services provider Pacific Internet, the latest development in the "takeover battle" for PacNet.** Vantage declared that it is looking at several options, one that includes disposing all or part of its 28.4 percent



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stake in PacNet even as it stated that it is also considering the acquisition of more shares in the ISP. The last move would require Vantage to make a partial or general offer. Vantage first bought a stake of 28.6 percent in PacNet in February for US\$30.5 million. It subsequently purchased another 50,000 shares for about US\$376,000. Vantage, the second largest shareholder of PacNet, turned down MediaRing's general offer of US\$9.50 a share for PacNet two months ago. Vantage Corporation Limited, formerly known as Blu Inc Group Limited, is mainly into publishing of magazines.

- **Infocomm Asia Holdings Pte Ltd announced its raising of more than US\$10 million in its seed round of financing and its plan to consolidate the Southeast Asian online gaming market.** The market is seen as bringing in more than US\$3.6 billion in revenue by 2010, according to figures from research firm IDC. The move from Infocomm follows what has been described as its success in securing the exclusive distribution rights in the region for two of the most anticipated online games – Granado Espada from Hakkyu Kim's IMC Games, and Hellgate: London from Bill Roper's Flagship Studios. Kim and Roper are two legends in the gaming industry, with Kim being the man behind Ragnarok, one of the world's most popular MMOGs, and Roper having played major role in the production of some of the greatest PC games of all time, including Diablo, StarCraft and Warcraft.

## *Information Technology*

- **With the launching of the National RFID Center, five key industries in Singapore, together with the government, are banding together to boost the use of Radio Frequency Identification (RFID) technology.** The alliance is seen as bringing about the greater use of the emerging technology that will give Singapore companies a competitive edge. The center is expected to strengthen the adoption of the technology among Singapore companies. One of the center's major industry partners, global logistics player DHL, is reportedly investing S\$30 million (US\$19 million) into two projects at the center. The center aims to trace and consolidate information for clinical trials - and drive adoption of RFID tags on pharmaceutical and healthcare products destined for Asia. Earlier, the five industries composed of the manufacturing, logistics, retail, hospitality and healthcare sectors said they plan to invest some S\$300 million (US\$189 million) over the next five years to explore the technology.
- **LogicaCMG, a leading international IT services company, announced that it is opening a new global service delivery center in the Philippines.** Located in Metro Manila, the new location is expected to provide services to LogicaCMG's customers from across the world. In the first phase of development, the center will take on 200 to 300 people, specializing in human resources business process outsourcing (HR BPO), finance and accounting outsourcing, service desk and application services. LogicaCMG said it chose the Philippines as their new global services delivery location because of its skilled labor market, the excellent English language skills and its affinity to Western business culture. The Philippines are a well-established destination for offshore services, particularly BPO, and have a wealth of accounting and SAP expertise. LogicaCMG already has an established presence in the Philippines as part of its Asian operation. The company currently focuses on selling ATM switch solutions, anti-money laundering systems and a broad range of vertical applications for the telecommunications sector, including billing systems, customer relationship management (CRM) solutions and infrastructure.

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## United States/Canada

### *Internet*

- **Yahoo announced that its software was being preloaded onto Hewlett-Packard PCs being marketed in Europe and North America.** Under the agreement, Yahoo becomes the Internet start-up page on desktops and notebooks sold in Europe. HP personal computers sold in North America would feature a co-branded web browser toolbar and Yahoo would be the default search engine with the introduction of Internet Explorer Seven by Microsoft. The two companies said that pre-installing Yahoo software on HP computers would give buyers "instant access" to Yahoo services such as e-mail, instant messaging, news and finance.
- **Wallop, a startup created from Microsoft's research lab, announced its launching of the test version of an online social networking site.** The company said it aims to compete with other brands like MySpace and Facebook and is selling the idea that users would want to spend more to look good. Wallop says the plan to charge users for the decorations will take place the advertising that supports many such free sites, with the add-ons initially costing somewhere between 99 US cents and US\$4. Wallop said the company will offer some elements free.
- **The Interactive Advertising Bureau (IAB), an industry trade group, reported that Internet advertising revenues in the U.S. posted a 37 percent growth in the first half of this year, as it registered a record US\$7.9 billion.** The report said keyword ads displayed alongside search results is still the most attractive format, accounting for 40 percent of revenues from January to June. Banner display ads accounted for 21 percent, with classified ads getting 20 percent. The study was done by PricewaterhouseCoopers for IAB. Online ad revenues registered US\$12.5 billion in 2005, with Internet advertising taking only about 5 percent of the entire U.S advertising revenues.
- **Yahoo Inc. announced its acquisition of Jumpcut, a site that provides simple-to-use online video-editing tools.** The acquisition is seen as a move by Yahoo to enhance its web video services offerings. No details about the deal were disclosed. Jumpcut provides users a free set of online video editing tools that give people the ability to manipulate moving video images without the need to own or install software on their own computers. It has been observed that as the popularity of online video watching has surged, the numbers of people actually creating video programming remains small. Analysts are saying Yahoo is seeking to regain momentum among online video viewers following the success this year among U.S. Web users of YouTube, the top provider of user-generated videos.

### *Media, Gaming and Entertainment*

- **Warner Bros disclosed that it has closed Warner Bros Online as it refocuses its effort to distribute content to wireless and web-based devices.** A pioneer in creating original shows for the Internet, Warner Bros Online's purpose has changed over the years with the emergence of new technologies, which allowed the studio to sell content for display on mobile phones and other emerging technologies. In 2005, Warner Bros created Warner Bros Digital Distribution, a business unit that concentrates on video-on-demand, wireless distribution of entertainment and emerging technologies. The company said that shows designed primarily for distribution over the Web or wireless devices will now be created directly by the studio or its television division.
- **AT&T Inc. announced a distribution agreement with Anime Network, which will deliver its on-demand programming.** Under the agreement, AT&T U-verse TV customers will have access to Anime Network On Demand, which offers thousands of hours of the latest anime programming directly from Japan. AT&T U-verse TV and Anime Network On Demand will offer free, subscription

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and transactional video-on-demand (VOD) options. AT&T U-verse TV is delivered by Project Lightspeed, the company's initiative to expand the fiber-optics network deeper into neighborhoods to deliver U-verse TV, AT&T Yahoo! High Speed Internet U-verse Enabled and, in the future, Voice over IP services. Through its subsidiaries, AT&T expects to reach nearly 19 million households by the end of 2008 as part of its initial deployment, using fiber-to-the-node (FTTN) and fiber-to-the-premises (FTTP) technologies. Financial and other terms of the agreement were not disclosed.

## *Mobile/Wireless*

- **Wireless Edge, a leading provider of next generation data networking solutions, and Zuken NetWave Inc., a Japanese network security products vendor and integrator, announced a joint business relationship aimed at expanding the market for Wireless Edge's next-generation network-based content inspection and optimization products in Japan and throughout the Asia-Pacific rim.** In addition to Zuken NetWave's new status as exclusive Japanese distributor for Wireless Edge, the two companies said they will work together to develop and provide products and services for enterprises and wireless service providers in the region. In its new role, Zuken NetWave will focus on selling in Wireless Edge's flagship products, BeSecure and BeFast, to key customers in Japan. BeSecure is a network security appliance that enforces authentication and usage policies while efficiently filtering out unwanted or dangerous content. BeFast is a traffic optimization and accelerator product that speeds delivery of content over narrowband networks by a factor of up to ten.
- **ESPN revealed its decision to close down its mobile phone company for sports enthusiasts.** Following the move, the company said it will focus on its offering – Mobile ESPN's multimedia content – and forge agreements and deals with wireless operators. The company said it would continue giving wireless service and content for its subscribers until the end of 2006 and help its customers with the refund of the purchase price for handsets and the transfer of their phone numbers to other carriers. Officials of the company said that while some of its employees would be retrenched, others may find jobs at ESPN. Earlier, Disney declared that it had made investment amounting to US\$150 million in developing both Mobile ESPN and Disney Mobile. The company said Disney Mobile will not be affected by the present development.

## *Software*

- **The Tao Group Ltd. announced the launching of technology dubbed Interactive Entertainment Software Platform, which allows game developers to build applications on one platform for use on multiple types of cellular phones and operating systems.** Tao Group's game technology platform eliminates mobile game developers from having to create hundreds of different versions of every title for a multitude of phones and operating systems. The goal is to make all games binary portable to play, so they play on multiple types of phones and operating systems, such as Windows Mobile and Symbian. Described as well funded, the Tao Group has some major companies like Motorola/Freescale, Sony, Bowman Capital, NEC, Mitsubishi, Kyocera, Sharp, and private investors backing the project.

## *Ventures/Investments*

- **FrameFree Holdings announced it has entered into a strategic R&D agreement with Quinland Co. Ltd., a deal expected to result in the joint development of several products over multiple years in the areas of digital posters, Telematics and Internet-tradable virtual objects.** FrameFree Technologies, Inc., a wholly-owned subsidiary of FrameFree Global Limited, launched in

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2004 in the U.S. with a family of products that provides easy and efficient authoring and compression of motion imagery. FrameFree Holdings owns more than 80 percent of FrameFree Global Ltd. Quinland Co. Ltd., a public company in Japan, supports group companies and client companies that operate diverse businesses in five major consumer markets: automobiles, entertainment, housing, education and food through Digital Marketing Engineering Service (DMES), a service for improving the productivity of operations through the thorough intensive utilization of ICT, which is Quinland's core competence. In August, Quinland agreed to invest the equivalent of US\$26 million in a series B round of funding in FrameFree Global Ltd.

## Europe

### *Mobile/Wireless*

- **European mobile operators and Apple's iTunes announced their coming to an agreement on royalty rates to pay song writers and music publishers for digital downloads in Britain, a move made to partly resolve a dispute.** Under the deal, Apple Computer Inc. and four mobile operators will pay 8 percent of gross revenue, excluding VAT, for all music sold digitally excluding ring tones. A lower 6.5 percent rate was agreed for non-on-demand services such as streaming. The deal was announced in a joint statement by the trade group representing record labels, BPI, and MCPS-PRS Alliance, which fixes and collects royalties on behalf of the composers, song writers and music publishers. The operators include Vodafone, O2, France Telecom's Orange and Deutsche Telekom's T-Mobile. Under a previous deal, the law stated that the song writers and publishers must receive 12 percent but for the last four years this had been temporarily reduced to 8 percent. The current ruling made that reduction permanent. Included in the deal is the agreement of a minimum price rate which ensures the music creators would still receive a rate, even if the price of music goes down.
- **Vodafone announced the launching of its first self-branded low-cost 3G mobile handsets which will be rolled out in Europe from October.** Under a strategic alliance signed by Vodafone and Huawei Technologies, China's largest telecom equipment maker will supply the company the new clamshell handsets, called Vodafone 710. The companies said the handset, which includes an MP3 music player, 1.3 megapixel camera and Bluetooth connectivity, will offer easy access to Vodafone's core services such as mobile TV, music downloads and video telephony. The handset will be launched in the UK, Germany, Spain, Italy, Ireland, Greece, Netherlands, Romania and Portugal from early October, with a minimum of 200,000 units to be rolled out initially. Vodafone's top official said the company has no plans to increase its two percent stake in China Mobile, mainland's largest mobile phone operator even as it monitors plans of the Chinese government to roll out 3G services on the mainland.
- **Varied industry reports indicate Europe is slightly ahead of other continents in developing mobile television, with lack of joint radio spectrum for the service means posing a problem for the region.** According to Nokia, Europe maintains a few months' leadership over its rivals. An EU Commission official, however, remarked that it will take at least a year before there could be joint frequency in the union. Addressing the situation, the European Commissioner for Information Society and Media is planning to propose renewal of dedicating spectrums in the new EU telecoms regulations, leaving some parts of the spectrum for national usage, while the rest would be regulated by the union. Observers are saying that mobile operators are looking to additional income from mobile TV services to compensate for declining revenues from voice telephony due to intense competition and new regulation. Nokia and many other European vendors favor a homegrown DVB-

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H technology (digital video broadcast-handheld) for watching television broadcasts on cell phones globally. Analysts are saying that the mobile and broadcast industries are in a hurry to launch commercial services, but it is not clear which technology is the best or what radio spectrum is available in the European region.

## Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 9/29/06)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change Last 12 Mth.
Japanese yen	¥/US\$	118.1800	1.4%	0.4%	15.2%	4.6%
Hong Kong dollar	HK\$/ US\$	7.7916	0.1%	0.5%	0.2%	0.4%
Chinese renmenbi	RMB/ US\$	7.9041	-0.2%	-2.1%	-4.5%	-2.3%
Singapore dollar	S\$/ US\$	1.5880	0.3%	-4.5%	-2.7%	-6.0%
South Korean won	KRW/ US\$	946.5000	0.0%	-6.3%	-8.6%	-8.8%
New Taiwan dollar	NT\$/ US\$	33.0985	0.5%	0.8%	4.3%	-0.4%
Australian dollar	US\$/A\$	0.7461	-0.5%	1.8%	-4.4%	-1.8%
New Zealand dollar	US\$/NZ\$	0.6529	-1.3%	-4.5%	-9.1%	-5.5%
Philippine peso	PHP/ US\$	50.2500	-0.2%	-5.3%	-10.6%	-10.3%
Euro	US\$/€	1.2675	-0.9%	7.0%	-6.5%	5.3%
British pound	US\$/£	1.8723	-1.5%	8.7%	-2.4%	6.3%

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Fixed Income Prices and Yields							
Note	Currency	<u>Current (on 9/29/06)</u>		<u>1 Week Ago</u>		<u>4 Weeks Ago</u>	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	95.8750	4.76%	96.2031	4.77%	94.0540	4.87%
Japan 30-year	¥	101.1320	2.40%	102.4510	2.43%	101.9930	2.39%
Hong Kong 10-year	HK\$	107.3972	4.36%	107.4703	4.36%	105.5550	4.18%
China (06/16)	US\$	114.3044	3.00%	113.3900	3.08%	113.0300	3.13%
Singapore 10-year	S\$	99.6130	3.28%	100.5600	3.27%	98.0720	3.43%
South Korea 20-year	US\$	110.2948	5.04%	109.0494	5.08%	111.0370	5.08%
Australia 15-year	A\$	157.5630	2.13%	157.3235	2.20%	156.1750	2.17%
New Zealand (12/17)	NZ\$	102.5983	5.67%	102.7267	5.72%	101.9180	5.77%
Philippines 20-year	PHP	113.9768	9.76%	113.6816	9.77%	99.6533	11.29%
India 30-year	INR	90.4567	8.22%	89.3863	8.48%	87.7700	8.55%
UK 30-year	£	102.5560	4.07%	103.7340	4.10%	102.3910	4.11%
Germany 30-year	€	101.7310	3.88%	101.8710	3.95%	100.1720	3.99%

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