



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

Week of 8 October - 14 October, 2006

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Equity Market Indicators					
Index	Closing Level (10/13/2006)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change 2005 Low
S&P 500	1,365.62	1.2%	9.4%	12.7%	20.1%
Dow Jones Industrial Avg.	11,960.51	0.9%	11.6%	10.9%	19.5%
Dow Jones Tech. Index	400.64	2.4%	6.8%	12.7%	28.3%
Dow Jones Telecom. Index	236.31	1.8%	17.2%	8.5%	19.9%
NASDAQ Composite	2,357.29	2.5%	6.9%	8.4%	23.8%
The Street.com Net	232.62	2.1%	10.6%	11.7%	33.3%
Japan Nikkei 225	16,536.54	0.6%	2.6%	43.9%	52.8%
JASDAQ	84.64	-3.2%	-35.0%	-6.3%	-6.6%
Japan Mothers	1,140.02	-2.8%	-55.2%	-33.8%	-34.4%
Korea KOSPI Composite	1,348.60	-0.3%	-2.2%	50.5%	54.9%
Korea Kosdaq	574.22	-2.2%	-16.9%	51.0%	47.1%
Taiwan Stock Exchange	7,080.14	1.2%	8.1%	15.3%	25.7%
Singapore Straight Times	2,666.68	0.7%	13.6%	29.1%	29.4%
Hong Kong Hang Seng	17,988.86	0.5%	20.9%	26.4%	34.7%
Hong Kong GEM	1,111.69	-0.3%	10.4%	12.5%	28.7%
China Shanghai (A-Share)	1,874.97	1.9%	53.6%	41.0%	76.5%
China Shenzhen (A-Share)	463.92	1.9%	59.9%	41.1%	89.6%
China Shanghai (B-Share)	105.68	-2.0%	70.4%	39.7%	105.8%
China Shenzhen (B-Share)	326.05	0.8%	66.7%	48.3%	74.8%

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Technology, Media, Telecommunications and Life Sciences Market Activity						
NASDAQ/NYSE TMT and Life Sciences IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
10/10/06	RRSAT Global Communications [RRST.US] (NASDAQ)	Telecom	US\$49.4	Distributes video and audio programming by satellite, serving TV and radio broadcasters	CIBC/Thomas Weisel	CE Untergerberg Towbin/Maxim Group/William Blair

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 10/13/06	% Change From Offer
10/12/06	Acme Packet Inc. [APKT.US] (NASDAQ)	Products consist of hardware and proprietary software that allow service providers to deliver interactive communications such as VoIP	US\$86.1	US\$11.48	US\$15.91	38.5%

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 10/13/06	% Change From Offer
10/11/06	Plastoform Holdings Ltd. [PLAS.SP] (Singapore Stock Exchange)	Produces audio speakers for personal computers, and mobile and multimedia devices	US\$12.7	S\$ 0.23	S\$0.32	39.1%
10/9/06	Computime Group [320.HK] (SEHK)	Designs, manufactures and distributes electronic controls and automation devices and solutions	US\$58.6	HK\$2.28	HK\$2.83	24.1%

Asian Markets: TMT and Life Sciences Convertibles						
Issuance Date	Issuer [Equity Ticker]	Description of Issuer	Maturity Date	Size (US\$MM)	Per US\$10,000 converts to	Convertible Until
N/A						

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Weekly Highlights

International

Mobile/Wireless

- **The Radio Frequency Research Center of the Ministry of Information and Communication said that a Wi-Bro standard the Telecommunications and Technology Association earlier proposed to the ITU-R was adopted as a global reference standard for mobile wireless broadband.** With the decision, ITU-R member countries will likely adopt Wi-Bro as broadband wireless access (BWA) standard, opening the way for overseas expansion of domestic Wi-Bro gear and handset makers. The TTA's Wi-Bro standard was already adopted by the IEEE of U.S., and the ITU-R also approved a standard proposed by the ETSI of Europe this time.

Japan

Internet

- **Yahoo Japan said it is looking to the sales of digital content, such as music and games as a bigger contributor than advertising to its cell phone service.** Observers point to this business model as different from that of Yahoo's main PC-based service, which earns most of its sales from advertising. Internet giants including Yahoo and Google are rolling out new services for mobile phones in Japan. Earlier, Google started a Japanese-language news service for mobile phones this week, ahead of other markets. According to the Digital Content Association of Japan, its market for digital content posted a 12 percent rise to 2.5 trillion yen (US\$21.2 billion) in 2005 from a year earlier, with about 15 percent coming from mobile phones. In six months, pageviews for Yahoo Japan's mobile services went up by 7.7 percent to 1.5 billion (US\$12.5 million) in September, outpacing the combined 0.5 percent gain for its PC and mobile sites. Yahoo Japan is working with Softbank Corp. to expand its mobile service.
- **Oki Electric Industry Co. announced the unveiling of two new Internet protocol telephony systems to be offered in Japan and abroad, beginning with China in December.** The company said it aims to sell 100,000 units of the new telephone systems IPstage MX and IPstage SX in Japan and overseas within three years. Oki Electric said the telephone systems are best suited for offices with less than 100 employees. The IPstage MX targets offices with 100 extensions or less, while the IPstage SX targets those with 30 or less.
- **Online brokerage kabu.com announced that Mitsubishi UFJ Securities Co., Goldman Sachs Japan Co. and BNP Paribas Securities (Japan) Ltd. would join the company in its nighttime marketplace.** The report said that three securities houses are expected to join before 2006 ends once negotiations on details, including ways to handle orders, are completed. Several other brokerages are also expressing interest in joining the nighttime market. The exchange, which began operating on Sept. 15, enabling investors to trade 300 selected issues between 7:30 and 11 p.m. after regular market trading ends at 3 p.m.

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Mobile/Wireless

- **NTT DoCoMo Inc. announced the unveiling of 14 new 3G-cell phones ahead of the introduction later this month of mobile number portability in the country.** Mobile number portability will debut Oct. 24. Under the system, users will be allowed to keep the same mobile phone numbers even after switching from one operator to another. Of the 14 new phones, DoCoMo said 11 are in its 903i series and can have improved music-downloading and game services. KDDI Corp., the country's No. 2 mobile phone carrier known for its au brand, said in August it would debut 12 new models for the fall and winter. Softbank Corp. said last month it would market 15 new mobile phone models by the end of this year.
- **Google Inc. announced that it has started offering a free Japanese-language news service for mobile phone handsets.** The Internet firm will collect news articles on sites of newspapers and broadcasters then categorize them into politics, the economy and other news areas, and by clicking their headlines, handset owners can read those articles. Google's launch is expected to spur free distribution of information to mobile phones.
- **With the number of cellphone subscriptions approaching 100 million, and per customer communication charges from individual users falling, cellphone carriers are introducing advanced handsets designed for corporate users as the market for individuals nears saturation.** Industry analyst said that cellphone carriers expect business-oriented handsets to expand the market of corporate users, which account for about 10 percent of all cellphone subscriptions. In September, NTT DoCoMo Inc. began marketing the BlackBerry, a multi-function handset equipped with a keyboard. Manufactured by Canada's Research In Motion Ltd., DoCoMo's BlackBerry 8707h handset is the first in Japan. DoCoMo said it has received orders for 1,400 subscriptions from several dozen companies, primarily foreign enterprises. Softbank Mobile Corp., which was known as Vodafone K.K. until September, said it will release a multi-purpose handset bundled with Microsoft Corp.'s Windows Mobile operating system. Manufactured by Taiwan's High Tech Computer Corp., the device is expected to sell for about 30,000 yen (US\$251). In December, KDDI Corp. said it would release the E03CA handset, manufactured by Casio Computer Co., for corporate users. The device will enable a maximum of 20 people in a group to send and receive sound and images. But some analysts said it is unclear whether these smart phones will be widely used in Japan, a market dominated by advanced multi-function handsets.
- **Mobile payment solution company Danal announced that it would enter the online game market.** A company official explained the move as aiming at enhancing their online music service business. Last month the company signed an agreement with an online game developer. The game, titled "On-Air Online", is an online dance game developed by G&P Entertainment and will be serviced on Danal's music streaming site, Ohdio.com.

Media, Entertainment and Gaming

- **Media reports indicate that Rakuten Inc. and Tokyo Broadcasting System Inc. have made no progress in their alliance talks.** Sources said the negotiations have been stalled over what to do with a 19 percent equity stake Rakuten owns in TBS, due to a fall in TBS share price. Observers said that Rakuten, which spent more than 100 billion yen (US\$835.6 million) on the shares, would incur a loss of 15 billion yen (US\$125.3 million) if it sold. Observers said that Rakuten shares have also tumbled, partly because investors have lost some of their confidence in Internet companies following the Livedoor Co. scandal. Rakuten's market capitalization has halved from about 1 trillion yen (US\$8.3 billion) a year ago. The two companies began negotiations on alliances in January after Rakuten

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dropped its management integration proposal in November. They are discussing more than 20 candidate projects, such as joint production of movies and collaboration in online shopping. But the talks have produced no concrete results. TBS has been demanding Rakuten to sell its TBS shares as a pre-condition for an operational alliance. TBS has formed separate tie-ups on Internet-related operations with such companies as Bic Camera Inc., Culture Convenience Club Co. and Dentsu Inc. Industry sources said that the alliances have apparently reduced Rakuten's importance as a partner for TBS.

- **Dataplace has concluded an agreement with Xinhua News Agency in obtaining national sales representation of Chinese news and online news programs distribution in Japan.** Under the agreement, Dataplace will distribute about 70 news articles from China in Japanese in XML format as well as 20-30 minute news programs with Japanese subtitles. An additional feature is a search engine from which users can look up previous news by category such as fashion and food. The news distribution service is expected to start on November 11 with the search engine to be ready in December of this year.

Semiconductors

- **NEC Electronics Corp. announced its shipment of a chip compatible with both Blu-ray and HD DVD formats in next-generation DVDs, a move that is seen as bridging a format problem that has divided the electronics industry.** NEC said that the chips go on sale for 10,000 yen (US\$84), roughly the same price as NEC Electronics' chips which read only Blu-ray or only HD DVD formats. Observers note that if other hybrid technology is developed, the new chip could bring down costs to build dual-format players, helping consumers and the movie industry sidestep the rivalry between the two opposing camps. NEC Electronics is targeting monthly shipments of 300,000 during the business year starting April 2007.

Hardware

- **Hitachi Ltd. announced its plan to acquire car electronics maker Clarion Co. Ltd., through a tender offer.** Hitachi holds already 14 percent stake in Clarion. The acquisition would cost Hitachi about 50 billion yen (US\$420 million). Media sources said that Hitachi would announce the tender offer soon, with Clarion supporting the offer. Clarion is one of the world's top makers of car navigation systems.
- **KDDI announced its move to purchase the optical fiber operations of Tokyo Electric Power (Tepco) in a deal that could be worth about US\$960 million.** The two firms said the move is aimed at increasing their competitiveness against telecom market leader and former state monopoly Nippon Telegraph and Telephone Corp. Under the deal, Tepco, the world's largest private power provider, will separate its optical fibre business in January and transfer it to KDDI. In return, KDDI will give 144,569 shares of its stock to Tepco.

Ventures/Investments

- **Softbank Corp's founder reportedly pledged a record amount of collateral to refinance US\$10.7 billion of debt used in the acquisition of Vodafone K.K.** Media sources said that Softbank has offered all of the assets, income and shares of Vodafone K.K. as security for US\$12 billion bonds and loans it plans to sell next month. Softbank acquired Vodafone Group Plc's Japanese business for US\$15 billion. The deal gives the company some 15 million mobile-phone users in the world's second-largest economy. Softbank's founder Son, whose net worth is US\$7 billion, according to Forbes Asia, agreed to provide more security because Softbank needs the money to repay 1.2 trillion yen (US\$10.7

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billion) in short-term financing. Vodafone K.K. originally paid interest on the loan of 250 basis points more than a lending benchmark, the Tokyo inter-bank rate. That premium rose to 300 basis points when Softbank was unable to arrange new financing by the end of September. Citigroup Inc., Deutsche Bank and Mizuho Financial Group Inc. arranged the initial loan with four more banks and are organizing the refinancing, helped by 15 more firms including WestLB AG, Calyon and Royal Bank of Scotland Group Plc. No other details of the deal were disclosed. Analysts are saying that Softbank's deal may be imitated by companies seeking acquisitions in Japan, noting that already there are as many as 10 Japanese companies considering similar deals.

Korea

Internet

- **LG Powercomm expects its broadband subscribers to surpass the 1 million mark this week.** The company ascribes this figure to LG Group's marketing campaign, with a consistent monthly new subscriber acquisition trend of 70,000-80,000 subscribers. LG Powercomm said it is currently preparing for a subscription target of 2 million by the end of next year. The company also stated that if this year's competition was based on speed, next year's competition will be among various convergence services such as TV portal and VoIP, areas they will co-operate with its parent company LG Dacom. In a separate development, LG Telecom said it will no longer be providing adult video, photo and gambling services on its network. All three carriers no longer provide adult mobile services as a measure to protect minors from accessing harmful mobile content.
- **Industry observers noted that online game companies are tightening security on personal information and eliminating use of resident registration numbers.** NCsoft was criticized strongly after thousands of stolen numbers were used to play its online game Lineage. Though NCsoft was not involved in the crime, authorities said that the company was negligent and partly responsible. Responding to this, NCsoft said it has decided to replace resident identification numbers with a system called I-PIN, currently used by several web sites, such as shopping malls. NCsoft said that it would adopt the I-PIN system for all of its games. The company said it would also introduce security codes to protect its users.
- **LG Dacom said it is now preparing to build an IPTV system including real-time streaming broadcasting capabilities, marking the second move toward IPTV service in the industry.** Considered the largest system integration order for 2006, the new project is estimated to be worth more than 20 billion won (US\$20.8 million). Earlier last month, the company sent out requests for proposals, with four consortiums led by LG CNS, LS Cable, Ontime Tech and Pos Data expressing their readiness to bid for the project. LG Dacom said it plans to select a preferred candidate next month, but has not decided when to set up a system and provide test services before commercial service begins August next year. With industry analysts saying the deal is leading to more business opportunities in the IPTV area, system providers are keen to win the order this time. Among the bidders, Ontime Tech is the only vendor with IPTV system experience. The company built an IPTV service system for Tele2 of the Netherlands last year. Other bidders like LG CNS and Pos Data have won a variety of SI projects in the broadcasting market, with LS Cable having invested heavily in the SI business since last year.

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Mobile/Wireless

- **In a move to boost its newest wireless network, KT Freetel Co., South Korea's second-largest mobile phone operator, said it plans to spend about 400 billion won (US\$416 million) next year expanding its newest wireless network.** The company said it would install equipment used to provide nationwide coverage based on so-called high-speed downlink packet access technology. In a separate development, KT Freetel Co. said it would buy back and cancel 5.5 million of its own shares. In a regulatory filing, the company said it plans to buy the shares from Oct. 16 until Jan. 15. The company expects to spend about 153 billion won (US\$159 million) on the buyback.
- **KTF announced that it will introduce three HSDPA SBSM phones in December this year and complete a nationwide HSDPA network by March next year.** The company indicated that the three phones are to come from Samsung Electronics, LG Electronics and the Pantech Group, respectively. HSUPA is expected to begin commercial service in 2H07. HSUPA has the same downlink speed as HSDPA (maximum 14.4Mbps) but boasts a higher uplink speed of 5.8Mbps. The higher uplink speed will enable users to enjoy UCC contents over the mobile wireless network. A source at KT said that upgrading the existing HSDPA network to HSUPA is easy, as it only requires adding a channel card. The company believes it can easily start commercial service of HSUPA in 2H07, when they go through a network capacity expansion. KTF plans to introduce a HSDPA brand in March, in time for nationwide service. SK Telecom, on the other hand, expects to expand HSDPA coverage to 84 cities nationwide by the end of this month, and full nationwide coverage in 1H07, at which time they will start introducing SBSM handsets.
- **LG Electronics announced that its Chocolate phone was chosen as the Best Fashion Phone in the U.K., the largest European cell phone market.** The Korean electronics maker said its Chocolate phone was given the prize at the Mobile Choice Consumer Awards 2006 organized by phone magazine Mobile Choice, beating Nokia, Motorola, Samsung Electronics and Sony Ericsson. The magazine said the no-frills phone, "boasts a glossy, jet-black finish with a low-key silver trim that gives the phone a very sleek minimalist finish." The award is given every October and selects the best mobile phone products released during year in categories including Phone of the Year, Best Smartphone, Best Music Phone and Best Camera Phone.
- **LG Telecom announced plans to apply for the approval of EVDO rA (EVolution Data Only revision A) service this month deciding to introduce synchronous 3G mobile communication service using the 2G PCS frequency broadband.** According to the industry and authorities, LG Telecom is applying for an approval for facility implementation to the Ministry of Information and Communication this month aiming at a trial service at the end of the year. LG Telecom plans to build an EVDO network in some parts of Seoul at the end of the year after approval and upgrade of the network to rA version for commercialization. EVDO rA is gaining attention as an equivalent service to HSDPA called 3.5G service since it is able to send data at the speed of 3.1Mbps. The service has been commercialized by KDDI in Japan.

Ventures/Investments

- **Google announced the signing of a deal with South Korea's government to set up a research and development (R&D) center in the country.** The report said that the R&D center will conduct research on such key technologies as Internet search, automatic translation, and data and video image processing, with Google adding that the facility will be on par with similar operations in the United States, Britain, Japan and China. The agreement was signed in the country by Google, South Korea's Ministry of Commerce, Industry and Energy and the Korea Trade-Investment Promotion Agency

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(KOTRA). Google also called for government support and assistance for the center that can include a direct injection of funds. The country has already attracted 13 R&D centers from such companies as Texas Instruments, Advanced Micro Devices, Battelle Memorial Institute and Kimberly-Clark Corp, with the companies promising investment valued at some 58 billion won (US\$60.3 million). Google's South Korean R&D center also marks the latest addition to a growing number of global engineering offices, which include the United Kingdom, Israel, Norway, Japan, Switzerland, India, Russia and the Americas. Google officials also indicated that it would consider direct partnerships with South Korean IT companies although no detailed plans have been released by the company.

China

Internet

- **Focus Wireless, a subsidiary of Focus Media (FMCN), announced its agreement with Huicong, an e-commerce web site to jointly build the first mobile phone B2B platform in China.** Huicong is the one of the largest B2B service providers in the country and provides outsourcing, sales and promotion services for more than 2.8 million companies each year. Huicong sees the partnership with Focus Wireless as a new way of testing an e-commerce web site with wireless Internet.

Mobile/Wireless

- **Sources from China's Ministry of Information Industry have told the local media that rules related to the mobile phone real name system are expected to be released this year.** The new rules will include the Communications SMS Management Measure jointly made by the Ministry of Public Security, Ministry of Information Industry and State Council Information Office. Observers note that the new rules have already caused some problems even before they were implemented. The concern involves the fear that mobile phones will aid criminals and that the real name system will pose a threat to consumer privacy.
- **PacificNet announced its signing of an agreement with China Unicom to become one of the designated value-added SMS providers for Uni-Info, an SMS-based information subscription and delivery-on-demand service launched by China Unicom and is now available to its GSM and CDMA phone users.** Its content offerings include a wide variety of services such as entertainment and financial information, as well as interactive gaming and dating, enabling its subscribers to enjoy the convenience and access to first-hand information via SMS in over 20 provinces and cities in China. Uni-info has three major theme sections. The Uni-Entertainment section features realistic 3D games with life like audio and video. The Uni-Life experience section provides services such as mobile ticket purchasing. The Uni-Business section shows real-time functions of financial stock market information and news.
- **CA Mobile, Dentsu, and Cyber Communications announced an agreement to co-establish a mobile ad agency in China in December 2006.** To be capitalized at about US\$862,000, the joint venture will be co-owned at 66.6 percent with Dentsu getting 16.7 percent. Industry analysts see the joint venture as a way for the three firms to leverage their Internet expertise and mobile advertising, as well as being able to offer Chinese companies mobile advertising services.
- **The WiMedia Alliance announced the official opening of a chapter in China with the aim of facilitating its work with Chinese regulators in allowing ultra-wideband in their country.** The China Chapter of the group said it would work on promoting ultra-wideband (UWB) to manufacturers

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and consumers within China and establish working relationships with key Chinese regulatory officials who oversee technological development within radio and broadband platforms. According to the group, future initiatives of the WiMedia China Chapter will involve working with Chinese and international standards bodies for technology standardization and to ensure consumers receive a high degree of interoperability with their UWB devices.

Software

- **Microsoft announced its entering into an agreement by way of a memorandum of understanding with Suzhou Software Park for a Software as a Service incubator program to attract more Chinese software companies to develop software based on SaaS, a model of software delivery where the software company provides maintenance, daily technical operation, and support for the software provided to their client.** In previous developments, Microsoft launched many other incubation programs in China including projects for its Xbox platform in Chengdu and Shanghai. The current alliance with Suzhou Software Park is part of the "Potential Development Plan" jointly initiated by Microsoft China and National Development and Reform Commission back in 2005.
- **Tencent disclosed that it has filed a lawsuit against MMIM Technologies, owner of instant communication service Personalized Information and Communication Assistant (PICA) for infringing of Tencent's software copyright. Tencent is seeking 5 million yuan (US\$633,000) in compensation.** Tencent says MMIM Technologies unilaterally connected its PICA to Tencent's QQ through technical means, and entered the QQ system without their prior authorization. Tencent says that MMIM Technologies also made use of Tencent's reputation to promote its PICA, which has resulted in a decline of users for QQ. Responding to the complaint, a representative from MMIM Technologies has told local media that instant communications service providers should keep it in mind that all their communications tools should be mutually connected, which is a big benefit for the users.

Hardware

- **Changhong, a color TV manufacturer, and IRICO Group Electronic Company Limited, the first CPT manufacturer in China, announced the signing of an agreement to increase investment in their plasma display panel business from 2 million yuan (US\$253,000) to 1.8 billion yuan (US\$227.8 million).** Earlier this March, the two companies set up a joint venture called Beijing Shiji Shuanghong Display Company with each side holding half of the stake of the company. Under the new agreement, Changhong will hold 80 percent of the company's stake with 1.4 billion yuan (US\$177.1 million) and IRICO Group holding the remaining 20 percent with 360 million yuan (US\$45.5 million).
- **IBM announced its selection of Shenzhen and Asia as the global procurement headquarters because it already has more than 1,850 procurement and logistics professionals in the region, many of them at its China Procurement Center in Shenzhen, China, which has been in operations for more than a decade.** The center is one of IBM's largest procurement organizations outside the U.S. IBM also noted its many collaborative relationships with nearly 3,000 suppliers across Asia. These alliances make up about 30 percent of the US\$40 billion IBM spends annually on procurement. This move on the part of IBM marks the first time the headquarters of an IBM corporate-wide organization has been located outside the U.S.
- **Asia Netcom, a submarine cable operator, said it expects to sell shares in an IPO in London or Hong Kong within 18 to 24 months amid rising investor interest in telecommunications**

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shares. The company revealed its share sale plan even as it disclosed its network expansion program valued at some US\$60 million to US\$200 million. Asia Netcom has not turned in a profit in recent years due to excess bandwidth capacity in the region dating back to the telecommunications boom of the 1990s. Asia Netcom's major markets include Hong Kong, the United States and Japan. China accounts for less than 10 percent of group revenue.

Telecommunications

- **The National Australia Bank said it has increased its stake in China Telecom from 4.7 percent to 5.1 percent with an additional investment worth 142 million yuan (US\$18 million).** Despite what observers note as its unsatisfactory performance, securities firms find the firm attractive. China Telecom received 730,000 new users, a figure that represents its smallest annual increase this year.
- **Industry sources said China Telecommunications Corp, the parent of Hong Kong-listed China Telecom, is filing an application to the stock exchange in a bid to spin off its telecommunications engineering and technical service arm.** The unit, China Communications Services Corp, is expected to launch the initial public offering next month. The company is seeking about HK\$2 billion (US\$256.7 million) by selling new H shares. Goldman Sachs and China International Capital Corp are the joint sponsors for the deal. The telecommunications group owns 91.5 percent of China Communications, while subsidiaries Guangdong Telecom Industry Group and Zhejiang Telecom Industry Group hold 6.2 percent and 2.3 percent respectively. China Communications will include the telecommunications engineering and services businesses in Shanghai and provinces including Guangdong, Fujian, Hainan, Hubei and Zhejiang.

Information Technology

- **The country's Ministry of Science and Technology announced the release of its 863 Plan or the National High-Tech Research and Development Plan, under which are 20 major RFID programs.** The national government said it would allocate about 128 million yuan (US\$16.1 million) to support the programs. The 20 RFID programs include super frequency RFID anti-collision technology; RFID middleware research; RFID public service systems and framework design; RFID tag and antenna design technology; RFID system testing technology; RFID information integration and management technology; and RFID industrialization.
- **Reuters, the information and financial service provider, announced the opening of a wholly owned company in Beijing's Zhongguancun Software Park to specialize in outsourcing services for products like its 3000Xtra desktop terminal.** Reuters is known as a news service but its service contributes to only 5 percent of the company's revenue. It is working on information transmission and value added services for the majority of its income. Earlier this year, government officials in China announced new rules that limited the amount and type of foreign financial news coming into the country. This situation is seen by observers as maybe harming Reuters' services in the coming few months even if the company has already invested some US\$18 million into this new development center.

Taiwan

Internet

- **HSBC announced that it has opened an Internet-only bank in Taiwan, a service that offers higher interest rates on deposits, hoping to lure new customers to the no-branch model.**

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Without the overhead necessary for traditional branch banking, HSBC is able to offer Taiwanese customers interest rates on deposit accounts three times greater than average banks in the country. HSBC is currently offering 1.5 percent interest on deposit accounts. The internet-only bank has no minimum deposits and 24-hour call centers as well. Since the bank opened last month, 80 percent of the customers opening accounts are new to HSBC. About half of all customers are between the ages of 25 and 35, but they only account for 30 percent of the deposits. Roughly 13 percent of the accounts belong to customers over the age of 45, and they account for more than half of the deposits. HSBC expects competition of Internet-only banks to pick up in the near future, as other banks such as Citigroup and ING Direct have already opened online branches in other markets.

Telecommunications

- **Chunghwa Telecom (CHT) announced an investment of NT\$20.1 million (US\$0.6 million) to acquire a 30 percent stake in Spring House Entertainment, a local Taiwan provider of broadband video/audio digital content.** Spring House indicated plans to develop 3G digital content over the next two years and tap markets in Hong Kong, Singapore and China. Before founding Spring House in February 2000, the company's executive team had established what it claimed was the world's first Chinese-language animation web site in September 1999. Earlier this year, the company began partnering with CHT to offer animation services on CHT's web portal (emome), providing various mobile value-added services for 3G users. In related news, CHT is considering an investment in Qware Systems, the BOT (build-operate-transfer) provider of the Taipei citywide WLAN service (WiFly). In addition to CHT, Far EasTone Telecommunications and Taiwan Mobile are Qware's target partners.

Hong Kong

Mobile/Wireless

- **New World Mobile Holdings, the mobile-telephone services unit of New World Development, announced that it is profitable once more after the company sold its telecommunications assets to a venture with Australia's dominant telephone group Telstra Corp.** The company announced net profit of HK\$911.6 million (US\$117 million) for the year to June, reversing a net loss of HK\$10.4 million (US\$1.3 million) the previous year. The firm attributed its profit as getting its boost from the gain of HK\$1 billion (US\$128.3 million) for the sale of its local mobile-phone operating unit New World PCS Holdings to Telstra in exchange for a 23.6 percent stake in a new joint venture with the Australian giant, CSL New World Mobility.

Telecommunications

- **The Hong Kong Special Administrative Region (HKSAR) disclosed that it is set to introduce legislation in the 2006-07 legislative years to effect the establishment of a new communications authority.** An official said that consultations were conducted with the public early this year regarding the reform of the regulatory regime and the proposed merging of the functions of the Office of the Telecommunications Authority and the Broadcasting Authority. The report noted the fact that the application of new wireless communication technologies has also spread rapidly and widely, adding that the SAR government will carry out public consultations by the end of 2006 on the policy of radio spectrum management.

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Singapore/Malaysia/Philippines/Indonesia

Internet

- **Singapore's government announced plans to cover most of the island with public wireless Internet access by next year.** With the plan comes the aim to offer about 10,000 subsidized computers to low-income students. Under the plan, Singapore said it would increase the number of public wireless "hot spots" from 900 to 5,000 by next year as part of the plan. The plan will offer free 512 kilobits per second wireless access for at least two years through telecom operators SingTel, iCell and QMax at public wireless hot spots across the city. SingTel will offer the service free for three years; the others for two years. The government said it will pay as much as S\$30 million (US\$19 million) of the expected S\$100 million (US\$63 million) cost for the wireless networks.

Media, Entertainment and Gaming

- **Singapore's Media Development Authority announced signing a deal with the Massachusetts Institute of Technology (MIT) to set up a joint research lab for game technologies.** The Singapore-MIT International Game Lab aims to bring students and researchers in Singapore together with experts from MIT and the game industry. The lab will have centers in Singapore and at MIT. MIT's partner in the venture, the Media Development Authority (MDA), is the arm of Singapore's government tasked with overseeing the development of the country's media industry. It was formed in 2003 with the merger of the Singapore Broadcast Authority, the Films and Publications Department, and the Singapore Film Commission. The MDA said over the next five years, 300 Singaporean students will have the opportunity to work on research at the Singapore-MIT International Game Lab. The report noted that gaming is big business in Asia, and other governments in the region are hoping to spur the development of their local game industries.

United States/Canada

Internet

- **Google Inc. announced the signing of distribution deals with Sony BMG and Warner Music Group Corp. to offer music videos.** Deals with two of the top global music labels follow similar deals Universal Music Group signed with top online video service YouTube. Sony BMG is a joint venture of Sony Corp. and Bertelsmann AG. Universal Music Group is controlled by France's Vivendi.
- **Industry observers described Google's acquisition of online video pioneer YouTube as a headline grabber in a deal valued at US\$1.6 billion.** Earlier Google formed an advertising alliance with News Corp's MySpace.com, a social-networking site that is challenging Yahoo as the Internet's most viewed site. In a separate development, Yahoo is said to be exerting more effort to acquire Facebook.com, the second most popular social-networking site behind MySpace. Industry sources said that Yahoo has been talking with Facebook for some three months now and has offered US\$1 billion for the site. Observers also note that Google's YouTube acquisition could have other negative effects if the sale results in changes that alienate a rapidly growing audience already watching more than 100 million video clips per day.

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Media, Gaming and Entertainment

- **The market research group NPD said that sales of video games helped push U.S. game sales up 29 percent to US\$446 million in September.** The report indicated that overall industry sales were up 38 percent to US\$777 million, led by sales of Nintendo Co. Ltd's DS, a dual-screened, handheld player that sold more than 400,000 units in the U.S. in September. Earlier this year, large U.S. video game publishers were forecasting industry sales that were flat to down 5 percent from a year ago, they grappled with the release of new video game consoles and a downturn in sales. In a separate development, Microsoft Corp. released its Xbox 360 console last November and expects to have 10 million units in the market by year-end. Market leader Sony Corp. and Nintendo are expected to debut their new machines, the PlayStation 3 and Wii, next month. Industry observers said that video game sales tend to fall around console transitions as audiences on the new machines rebuild. Analysts said this year's sales have been helped by continued strength in sales of games for the PlayStation 2 console, the dominant system with 106 million units sold at present.

Mobile/Wireless

- **Nokia Corp. announced the closing of its Fort Worth facility, which repaired and distributed cellular phones.** The firm also disclosed that lay-offs would take place in December and continue through the first quarter of next year. A Nokia official said that the plant would be put up for sale next spring. Employment at the plant has been sliding since Nokia opened a factory in Mexico. The Fort Worth plant is currently used to repair phones for customers in North America and to take quick-fill orders. Nokia will send its repair work to a factory in Mexico and will use another supplier, the identity of which has not been revealed yet by Nokia.

Software

- **Qualcomm revealed its move to release future versions of the Eudora e-mail program using the Mozilla Foundation's open-source Thunderbird software as the platform, with the first version of the free software scheduled to debut in 2007.** Until that point, Qualcomm will continue to keep selling current versions of the application. A top Qualcomm official said business incompatibility was the primary reason the company decided to move the software to an open-source platform. The company said it would continue to provide technical support for users of the current Eudora versions. The Eudora e-mail program, developed in 1988, was once one of most-used applications in the world, but gradually lost users when free e-mail services, such as Hotmail and Yahoo Mail became popular. In addition, the increasing popularity of applications bundled with operating systems, such as Microsoft's Outlook Express and Apple's Mail, was also a reason for Eudora's decline. The company said the move to a Thunderbird-based open-source platform will offer Eudora some key infrastructure improvements, including a cross-platform code base and an improved display engine.

Semiconductors

- **Intel said it will bring its quad-core chips to market in a new line of Hewlett-Packard workstations due to be introduced in November.** The move is seen by analysts as countering the performance of its rival Advanced Micro Devices. Market sources said the computers will probably use Intel's planned Xeon 5300 chip, and will be designed to run high-end applications like seismic analysis and visualization technologies from Ansys, Autodesk, Landmark Graphics, and Parametric Technology. The launch would mean that Intel brings quad-core processors to market before AMD, a crucial win in a year when Intel has made as many headlines for its layoffs and missed earnings targets

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as for its technology. In a separate development, AMD disclosed its plans to release its own quad-core chips in the middle of 2007, and claims its monolithic design is superior to Intel's plan, which essentially glues two dual-cores chips together. But without having any hardware to test, analysts are divided on whether this detail will significantly affect the chips' performance.

Europe

Software

- **Microsoft Corp revealed that it has told the European Union it will ship its new Vista operating system to Europe on schedule despite the EU's antitrust concerns.** Earlier this year, the EU's antitrust office had warned this year it had concerns about the new Windows software. The regulating body had already issued a warning to Microsoft it had to take care to avoid antitrust problems with Vista, which will include an Internet search and a PDF-type document reader that could pose problems for current rivals. Security vendor Symantec Corp has accused Microsoft of abusing its monopoly in deciding which security products can run on Vista, arguing that Microsoft is deliberately withholding information needed to develop products that work on Windows Vista. Microsoft said it will release Windows Vista in Europe next month following a "constructive dialogue" with the EU commission.

Hardware

- **Dutch electronics firm Philips revealed that it had signed a letter of intent to transfer its remaining mobile phone activities to the China Electronics Corp (CEC).** Under the terms of the letter of intent, CEC will receive a global license to market and sell mobile phones under the Philips brand for the coming five years. Philips said that the transaction is expected to be completed by the end of this year even as it is still subject to shareholder and regulatory approval.

Mobile/Wireless

- **Sony Ericsson reported its third-quarter earnings nearly tripled to 298 million euros (US\$372.5 million) in the quarter to September 30, compared with 104 million euros (US\$130 million) in the same quarter last year.** The company explained the surge to consumer demand for its improved camera and music phones. The company said its quarterly sales went up by 42 percent to 2.9 billion euros (US\$3.6 billion) from 2 billion euros (US\$2.5 billion) a year earlier. The London-based company, a joint venture of Japan's Sony and Sweden's LM Ericsson, said the number of handsets shipped rose 43 percent to 19.8 million in the third quarter, compared with 13.8 million in the same period last year. The company reiterated that its previous growth forecast in the global handset market continued to outpace expectations and predicted global mobile phone sales will reach more than 950 million units, up from the previous estimate of 900 million units.

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Other Economic Data

Currency Exchange Rates

Currency	Units	Current Rate (on 10/13/06)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change Last 12 Mth.
Japanese yen	¥/US\$	119.6400	0.5%	1.6%	16.6%	4.5%
Hong Kong dollar	HK\$/ US\$	7.7873	0.0%	0.4%	0.2%	0.4%
Chinese renmenbi	RMB/ US\$	7.9015	0.0%	-2.1%	-4.5%	-2.3%
Singapore dollar	S\$/ US\$	1.5874	-0.1%	-4.5%	-2.7%	-6.1%
South Korean won	KRW/ US\$	954.9000	0.6%	-5.5%	-7.7%	-8.9%
New Taiwan dollar	NT\$/ US\$	33.1260	0.1%	0.9%	4.4%	-1.0%
Australian dollar	US\$/A\$	0.7511	1.1%	2.5%	-3.7%	0.0%
New Zealand dollar	US\$/NZ\$	0.6575	-0.2%	-3.8%	-8.5%	-5.1%
Philippine peso	PHP/ US\$	50.0050	0.0%	-5.8%	-11.1%	-10.5%
Euro	US\$/€	1.2513	-0.7%	5.6%	-7.7%	4.0%
British pound	US\$/£	1.8558	-0.8%	7.7%	-3.2%	5.6%

Fixed Income Prices and Yields

Note	Currency	Current (on 10/13/06)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	93.2656	4.91%	94.7344	4.76%	93.1215	4.91%
Japan 30-year	¥	100.0165	2.50%	100.2715	2.49%	102.3630	2.36%
Hong Kong 10-year	HK\$	106.6529	4.36%	107.3954	4.36%	105.5560	4.17%
China (06/16)	US\$	114.6067	2.94%	114.3044	3.00%	113.1400	3.11%
Singapore 10-year	S\$	99.6660	3.26%	101.0150	3.15%	99.3620	3.31%
South Korea 20-year	US\$	110.7832	4.91%	110.8892	4.94%	108.1400	5.10%
Australia 15-year	A\$	154.7140	2.32%	157.0550	2.15%	154.7130	2.28%
New Zealand (12/17)	NZ\$	101.3466	5.86%	102.0230	5.74%	100.9990	5.88%
Philippines 20-year	PHP	114.4963	10.00%	108.7323	10.27%	106.9800	10.45%
India 30-year	INR	92.3486	8.17%	91.3812	8.16%	87.9900	8.52%
UK 30-year	£	101.7640	4.12%	102.8420	4.05%	101.8710	4.14%
Germany 30-year	€	100.2170	3.96%	101.0730	3.90%	100.5180	3.97%

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