

IRG WMR



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

Week of 28 January - 3 February, 2007

For more information on IRG, please email communications@irg.biz or visit www.irg.biz.

Hong Kong (HQ)

No.1-2A, 17/F, The Centrium,
60 Wyndham Street, Central,
Hong Kong

Tel: (852) 2237 6000
Fax: (852) 2237 6100

Singapore

5 Rhu Cross, #04-16
Olivia Block, Singapore

437434 Singapore
Tel: (65) 6325 1191
Fax: (65) 6348 9583

Japan

JT Building 15Fl, 2-2-1
Toranomon, Minato-ku,

Tokyo, Japan 105-0001
Tel: (813) 5114 8395
Fax: (813) 5114 8396

Korea

37/F, Asem Tower, Samsung-
dong, 158-1, Kangnam-gu,
Seoul, Korea

Tel: (822) 6001 3840 ext. 3841
Fax: (822) 6001 3711

Philippines

2/F, State Condominium Bldg.,
186 Sacledo St. Legazpi Village,
Makati, Philippines

Tel: (632) 728 5307
Fax: (632) 728 5307

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Equity Market Indicators					
Index	Closing Level (2/2/2007)	% Change 1 Week Ago	% Change 1/1/2007	% Change 1/1/2006	% Change 2006 Low
S&P 500	1,448.39	1.8%	2.1%	16.0%	18.4%
Dow Jones Industrial Avg.	12,653.49	1.3%	1.5%	18.1%	18.6%
Dow Jones Tech. Index	414.18	0.4%	0.4%	10.4%	22.9%
Dow Jones Telecom. Index	266.74	1.5%	2.6%	32.3%	32.5%
NASDAQ Composite	2,475.88	1.7%	2.5%	12.3%	22.5%
The Street.com Net	256.88	3.1%	3.9%	22.1%	33.4%
Japan Nikkei 225	17,547.11	0.7%	1.9%	8.9%	23.4%
JASDAQ	92.07	-0.9%	6.8%	-29.3%	13.9%
Japan Mothers	1,177.04	-2.7%	6.0%	-53.7%	16.7%
Korea KOSPI Composite	1,413.14	3.0%	-1.5%	2.4%	17.4%
Korea Kosdaq	591.72	1.5%	-2.4%	-14.4%	9.8%
Taiwan Stock Exchange	7,777.03	-0.6%	-0.6%	18.8%	24.3%
Singapore Straight Times	3,217.68	4.2%	7.8%	37.1%	41.1%
Hong Kong Hang Seng	20,563.68	1.4%	3.0%	38.2%	37.6%
Hong Kong GEM	1,287.39	3.8%	5.1%	27.8%	28.0%
China Shanghai (A-Share)	2,808.34	-7.3%	-0.2%	130.0%	126.1%
China Shenzhen (A-Share)	666.28	-6.1%	17.0%	129.7%	125.9%
China Shanghai (B-Share)	158.82	-6.9%	22.1%	156.1%	152.4%
China Shenzhen (B-Share)	449.51	-10.3%	3.7%	129.8%	125.6%

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

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/2/07	% Change From Offer
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/2/07	% Change From Offer
2/2/07	Meadville Holdings Ltd. [3313.HK] (Hang Seng)	Offers a one-stop shop to manufacture printed circuit boards	US\$151.7	HKD 2.25	HKD 2.31	2.6%

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
2/2/07	Masters Techtron Co. [045400.KS]	Manufactures electronic equipment parts such as guide rollers and motors for Cannon and JVC	2/4/10	US\$2.1	3,875 shares	1/4/10
2/2/07	Kafco C&I Co., [045290.KS]	Manufactures lithium battery test systems and produces power supplies and LED display systems	2/2/10	US\$2.1	3,184 shares	1/2/10
1/29/07	Lasertec Corp [6920.JP]	Develops, designs and manufactures photomask inspection systems to make semiconductor devices, laser microscopes and LCD screens	12/30/10	US\$41.0	11,904 shares	12/29/20

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Weekly Highlights

International

Semiconductors

- **According to the Semiconductor Industry Association (SIA), global semiconductor sales reached a record US\$248 billion last year, a performance that is brought about mainly by favorable economic conditions and rising demand for consumer electronics such as high-definition TVs, digital music players and cell phones.** The industry group stated that worldwide chip sales posted an 8.9 percent growth from the US\$227.5 billion recorded in 2005, as advances in semiconductor technology have enabled companies to lower their costs to produce chips while also boosting performance. SIA said sales in December registered a 9 percent rise year over year to US\$21.7 billion even as the results are slightly lower than the previous month. For the fourth quarter, worldwide semiconductor sales registered in at US\$65.2 billion, also a 9 percent increase over last year. SIA said about 235 million personal computers were sold around the world in 2006, reflecting a somewhat slowing growth rate. The industry group said it looks to worldwide semiconductor sales to post a 10 percent growth in 2007 to US\$274 billion.

Media, Entertainment and Gaming

- **Informa Telecoms & Media said that revenue from mobile entertainment services could soar over the next five years, a development the market researcher attributes to high-speed mobile phones and a range of new products.** Informa said it expects the market for mobile entertainment services, including games, gambling, and adult content, to grow to US\$38.1 billion in 2011 from US\$18.8 billion in 2006. The report said mobile music will continue to be the major revenue generator, although its overall share of the market will fall from 40 percent in 2006 to 36 percent in 2011 as new forms of entertainment, such as mobile TV and video services, gain consumer interest. User-generated content, a relatively new development that gained momentum in 2006, will continue to grow, as new applications will extend communities to users on the move. Informa expects revenue from user-generated services to be US\$13.1 billion by 2011. Informa cites the arrival of mobile phone technologies that offer high transmission speeds, particularly HSDPA (High Speed Downlink Packet Access), seen as having helped create a web surfing and video streaming experience.

Japan

Internet

- **Livedoor Co. announced its decision to scrap its self-made news department next month in a turnaround effort.** The decision comes with the company's move to streamline its businesses and concentrate more resources on web-related services. Livedoor said it will continue news distribution on its portal in cooperation with newspapers, news agencies and its designated citizen reporters although it will stop covering news by itself using its own reporters as early as late February.

Mobile/Wireless

- **Sony Ericsson Mobile Communications announced that it will get its GSM (Global System for Mobile Communications) mobile phones made in India by contract manufacturers, starting with entry-level color phones and mid-level phones with music.** The company said the annual

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production of its phones in the country is to reach 10 million by 2009. The phones will be made by the local operations of Hon Hai Precision Industry Co., which uses the brand name Foxconn, and Flextronics. These companies already make phones for Sony Ericsson in other locations. Contract manufacturers meet about two-thirds of Sony Ericsson's phone production worldwide. Sony Ericsson joins a number of mobile manufacturers, including Nokia, which are manufacturing in India or contracting Indian manufacturers, to meet the country's booming demand for mobile phones.

Media, Entertainment and Gaming

- **Industry sources are saying that Sony Corp. may slash prices of its flagship console as market reports show that PlayStation 3 sales trail Nintendo Co.'s Wii by about two-to-one.** Sony's spokesperson said that the price cut would not make any significant dent on the company's target to break even in the games division next fiscal year. A price cut is expected to win market share and boost sales to help the PlayStation 3, which retails for about twice the price of Nintendo's Wii,

Hardware

- **Matsushita Electric reported a 60 percent rise in profit for the latest quarter, with the company ascribing the growth to solid demand for its flat-panel television sets and digital cameras countering pressures brought about by plunging electronics prices.** The Japanese electronics company posted a group net profit for the October-December quarter of 78.7 billion yen (US\$649.6 million), up from 49.3 billion yen (US\$407 million) the same period a year ago. Matsushita said its quarterly sales posted a slight 2 percent rise to 2.4 trillion yen (US\$19.8 billion). Matsushita's robust results contrast sharply with those of its rival Sony Corp, which registered a 5 percent decline drop in quarterly earnings, a performance largely attributable to start-up costs for the PlayStation 3 video-game console. The two companies compete in many product categories, including television sets, camcorders and digital cameras. Matsushita, however, pulled out of game machines years ago. Matsushita raised its profit forecast for the fiscal year to 205 billion yen (US\$1.6 billion) from the earlier forecast of 190 billion yen (US\$1.5 billion). In fiscal 2005, it earned 154.4 billion yen (US\$1.2 billion), with the company revising guidance upward for full-year sales to 9 trillion yen (US\$74.2 billion) from 8.9 trillion yen (US\$33.4 billion).
- **Toshiba announced that its net profits more than tripled to 72.5 billion yen (US\$598.4 million) in the third quarter of the fiscal year from 21.9 billion yen (US\$180.7 million) a year earlier.** The company ascribed the performance to strong sales of electronic goods and the acquisition of U.S. nuclear power plant company Westinghouse. Toshiba, however, disclosed that its operating profit declined by 12.2 percent to 55.9 billion yen (US\$461.4 million), explaining the drop to the "deterioration" in the semiconductor market. It posted a 13.3 percent rise in its sales to 1.7 trillion yen (US\$14 billion). For the nine months to December, net earnings went up to 111.3 billion yen (US\$918.7 million) from 36.5 billion yen (US\$301.3 million) a year earlier, with its operating income registering a 5.3 percent growth to 121.1 billion yen (US\$996.5 million) in the first three quarters of the financial year, with sales up 10.5 percent to 4.9 trillion yen (US\$40.4 billion). The group raised its full-year outlook on the back of its strong nine-month performance. Toshiba said it looks to net profits for the full financial year to March of 120 billion yen (US\$990.5 million), up from an earlier projection of 110 billion yen (US\$908 million). Toshiba, however, revised down its operating income to 250 billion yen (US\$2 billion) from 270 billion yen (US\$2.2 billion), citing the price declines in NAND flash memories as the reason.
- **Industry sources named Texas Pacific Group, European investment fund Permira and CCMP Capital Asia as among potential bidders for Victor Co. of Japan Ltd., which makes JVC brand**

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electronics. The names are added to the list, which includes Kenwood Corp. and Funai Electric Co. Sources also said that Matsushita Electric Industrial Co. closed applications for bids to its Victor subsidiary in Feb. 1. Victor executives are also said to be considering a management buyout of the company in cooperation with U.S. investment fund Cerberus Group. Matsushita, which holds 52 percent of Victor, is expected to decide on whom to sell its stake to this month.

Ventures/Investments

- **Nomura Holdings Inc., one of Japan's biggest securities companies, announced that it has paid US\$1.2 billion to acquire U.S. electronic stockbroker Instinet Inc. from majority-owner Silver Lake Partners, a California-based private equity firm that bought a majority stake in Instinet from the NASDAQ Stock Market in December 2005 for US\$208 million.** Nomura said the acquisition is part of the company's bid to strengthen its business in the high-tech trading systems, which is becoming popular with hedge funds and other institutional investors. The deal expands Nomura's overseas reach and gives it access to Instinet's 1,500 clients worldwide and the ability to trade on more than 50 securities markets in the United States, Europe and Asia.

Korea

Internet

- **Following the move of KT Corp., the country's largest broadband operator, to cut its ties with Netpia Inc., the multi-language domain service provider announced plans to revamp its businesses.** Netpia offers a service, which allows users from many nationalities to access websites using their native language in the address bar. With the development, KT's 6.4 million broadband subscribers are predicted to be at a loss when they use Korean characters in the address box. Netpia said it would first introduce an IP address-based Google business model, which enables users to find various search results even when they type in not-so-specific nouns in search boxes. The company also said it will shortly release an "intelligent toolbar wizard" and "smart short messaging system" into the market. Netpia recently joined forces with LG Dacom so that LG Powercomm broadband users can be directed to websites by typing in Korean. The company has also added Mexico and Thailand to its native language service list as it partnered with Mexico's Telmex and Thailand's Mappointasia. The company revealed plans to expand the number of service countries to 25, including Greece, Malaysia, Taiwan and Bangladesh by the end of this year. In South Korea, 61 Internet service providers or ISPs, 60 system operators and about 1,800 public institutes or companies support the Netpia system. KT, on the other hand, said it will offer a new keyword-based search service, along with its affiliate KTH and DigitalNames.
- **Analysts are noting how Internet sites dedicated to audio-visual files dubbed user created content (UCC) are attracting amateur video creators with lucrative rewards both at home and abroad.** PixCow, a Korean venture start-up, said it will provide a total of 30 million won (US\$32,000) to those who upload home-made video clips to its web site. Earlier, YouTube co-founder Chad Hurley also announced at the World Economic Forum in Davos, Switzerland that it plans to share revenues with UCC creators even as no details were released as to how the popular video-sharing website will make money to carve up revenues, thus spawning a controversy on possible business models. In South Korea, Pandora TV, the country's equivalent of YouTube, earns money via advertisements at the beginning and end of a UCC clip. Pandora TV, which runs the country's most-visited UCC site with roughly 600,000 videos, started offering 10 percent of ads sales to UCC makers last month. Pandora TV projects the number of views for streaming will be around 3 billion this year and UCC

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producers expect to get 3 billion won (US\$3.1 million) from Pandora TV in return for providing video files. To keep the policy afloat, Pandora TV seeks to establish a 3 billion won (US\$3.1 million) fund and is in talks to get foreign investment amounting to US\$10 million.

- **SK Communications, the operator of Cyworld, unveiled a test version of its new web service, called C2.** With C2, users can create up to three different websites, and manage the content by logging in through one account. The move follows major upgrading made by major domestic portals on the Internet services that cater to the new web environment. Unlike other services, Cyworld is not adding features or revamping its design, but letting people create more websites through the same account. Cyworld is based on a real-name system, which people have used to create networks with friends and family, but new services may also be anonymous. The sites will allow custom design and include photos, text posting and custom shopping mall functions now available on Cyworld and other services.
- **Online lecturing, first introduced in the late 1990s, is now considered one of the major forms of private education for South Korea's primary and secondary students.** In 2004, the government attempted to provide free Internet service through the public Educational Broadcasting System (EBS). However, the result was to further fuel the online education market, as the government's entry into the field seemed to signal the efficacy of online education. Now, large private firms such as SK and KT have even joined the market, making the competition even fiercer. In addition, the business models found within Internet education have become more diverse; for example, a service launched in December of last year provided lectures for free, but made profits through advertising and textbook sales. As a result, those Internet-based educational program suppliers, which had initially aimed their product at saving private educational costs for parents and narrowing the education gap between rich and poor, have increased online tuition fees to the level of their offline counterparts. Observers note the fact that the Internet education giant Megastudy occupies a market share of more than 70 percent in the for-pay Internet education market, is raising concerns about monopolistic abuses in the business.
- **Cyworld, the largest on-line community website in South Korea, announced that it has begun operations in Taiwan and expects its user base to jump to 500,000 members this year, under Cyworld Taiwan.** Cyworld in South Korea is operated by SK Communications, a subsidiary of SK Telecom, and Cyworld Taiwan is a joint venture founded in March 2006 by SK Communications and Hong Kong-based Cherrypicks. For operations in Taiwan, Cyworld Taiwan said it will duplicate the operating model used in South Korea with adjustments to meet local demand and use Cyworld's unique SNS (social networking service) marketing strategy.
- **According to the Ministry of Information and Communication, the number of Internet users in South Korea rose more than one million in 2006, with people in their 40s and 50s leading the gain.** The report stated that there were 34.1 million Internet users as of the end of December, up 1.1 million from a year earlier, which means that 74.8 percent of the nation's population over age 6 lives in an Internet-connected environment. The biannual report is based on a survey of 25,727 people taken in December. The findings showed that almost all people in their 20s and 30s log onto the Internet, with the Internet penetration rates for the two age groups reaching 98.9 percent and 94.6 percent, respectively. Leading the yearly increase, the Internet penetration rate for those in their 40s rose 6.2 percentage points to 74.9 percent and that for people in their 50s went up 7.2 percentage points to 42.9 percent. By gender, male users outnumbered females 18.5 million to 15.6 million. The average time spent on the Internet was 13.7 hours a week, with most users browsing for data and information, using communications services, and other leisure activities.

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- **Industry sources said that websites selling foreign goods to South Korean consumers are prospering on the strong won against foreign currencies.** Reports show that sales have increased by double digits in major online shopping brokerage sites last year such as Wizwid and Bidbuy, with the largest beneficiary of the strong won are shops dealing in Japanese goods. Bidbuy, which sells Japanese electronics and clothing in partnership with Yahoo Japan, reported its monthly sales doubling over the past 12 months, with some 10 billion won (US\$10.6 million) of goods being traded in January. Wizwid, the largest overseas shopping site in South Korea, also said it is expecting around 55 billion won (US\$58.3 million) of net revenue from last year, a 35 percent increase from 2005. SK Group, a major conglomerate, established Wizwid in 2001. KT, the telephone network giant, also entered the market by opening overseas shopping malls NjoyNY.com and NjoyMilan.com, which are dedicated to American and European goods, respectively.

Mobile/Wireless

- **Industry sources indicate that with the number of mobile phone users in South Korea topping a record 40 million, mobile carriers are pushed to look for new revenue sources.** SK Telecom Co., KTF Co. and LG Telecom Ltd., the nation's three mobile operators, reported that slightly over 40 million South Koreans had registered mobile phones. Market leader SK had 20.1 million subscribers, accounting for more than 50 percent, followed by 12.8 million for KTF and 6.9 million for LG Telecom. It is the first time numbers have breached the 40-million mark since South Korea introduced analogue-type mobile phones in 1984. The figure was also reached 10 years after the country switched to the CDMA6 system. According to each mobile operator, voice communications remain the No. 1 revenue source for their business, with the growth of data services remaining in a slump. Responding to the market, which is estimated at around 17 trillion won (US\$18.2 billion), it is facing saturation, the three mobile companies have been busy upgrading their networks to enable customers to use faster and more seamless data services. SK Telecom and KTF are stepping up their investment in establishing a nationwide network for HSDPA, designed for faster transmission of large-sized data files. Mobile companies are reportedly eyeing foreign countries to expand their revenue sources. SK Telecom, for example, is running a service in Vietnam, attracting more than 1 million subscribers in the emerging market.

Media, Entertainment and Gaming

- **Market sources said that Damoim Corp. has attracted additional investment worth some 3 billion won (US\$3.1 million) from SM Entertainment, which invests through a paid-in capital increase, raising its share rate from 56 percent to 65 percent.** With the move, analysts see SM Entertainment having a synergy affect from the combination of entertainment contents and movie platform, as well as new profit models with subsidiary companies, video karaoke manufacturer SM Bravo, video contents company Bitwin and Damoim.
- **Analysts note that Taiwan is emerging as a new leading market for South Korean games, with games from South Korea seen as sweeping almost all genres including casual, action and racing as well as MMORPG in Taiwan.** An overseas marketing manager notes how Taiwan is even more similar to Japan and South Korea than China. NEXON Corporation, already popular in South Korea and China, has recently begun service in Taiwan. Its online action game, Dungeon & Fighter, which was developed by NEOPLE Co., LTD and published by Samsung Electronics, is being launched by WEBZEN Taiwan Inc. Earlier NEXON took over 15 percent of Gamania Digital Entertainment Co., LTD, the biggest game company in Taiwan, to reinforce the local marketing. NEXON said it is to begin local marketing in earnest through inclusive cooperation with Gamania.

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Rohan of YNK KOREA sold more than 100,000 copies on the first day of open service indicating its popularity. Besides, X&B Online published by KTH, Hell Gate: London published by Hanbit Soft and Dekaron of GAMEHI Inc. are about to launch in Taiwan.

Telecommunications

- **LG Telecom reported a 10.4 percent rise in sales in 2006, to 2.9 trillion won (US\$3 billion), with its operating profit posting 15.7 percent growth, to 416 billion won (US\$441.1 million).** The company, however, declared a 4.1 percent decline in its net income to 238 billion won (US\$212.4 million) due to an increase in corporate tax. The mobile communications company said its fourth-quarter operating profits jumped 34 percent from a year earlier due to an increase in the number of new subscribers, with its net income climbing in the fourth quarter to 109.6 billion won (US\$116.2 million), from 81.8 billion won (US\$86.7 million) a year earlier. LG Telecom recorded 113,000 net subscribers in the last quarter, which the company attributed to their rewards program and reasonable rate charges. The company said that its total subscribers exceeded 7 million with 500,000 net subscribers last year.

China

Internet

- **Blog United Community announced that it is the first blog web site in China that has been registered and released with a real name mechanism, part of the new ruling in the country that requires blog websites to track the real names and identities of users who register for weblogs.** According to its founder, the web site is aimed at serving as a platform for domestic intellectuals to exchange ideas, make friends and carry out online transactions, and has been aimed at advocating a legal, self-disciplined means of online expression. Unlike other blog websites, users will not be able to register with Blog United Company unless they receive recommendations or invitations, with their identity and professional qualification to undergo strict reviews in order to guarantee the authenticity of the online information. Records from the Internet Society of China show that by the end of 2006, there were 20.8 million blog writers.
- **Dynasty Gaming, a Canadian Internet gaming firm and software developer announced that it has entered into an agreement with Sohu.com for the launching of an online mahjong game for mainland Internet users.** Under the deal, Dynasty's cashless Mahjong Mania betting game would be distributed and marketed over Sohu's dedicated entertainment and gaming channel. Earlier in March last year, Toronto-listed Dynasty signed a letter of intent with Mr. Stanley Ho to form Ho Majiang, a joint venture that would hold exclusive rights to develop the mahjong game in China via prepaid card wagering and would eventually seek a listing in Hong Kong. Loss-making Dynasty has yet to launch the game in the mainland. The company in recent months has reached a series of marketing and distribution agreements for Mahjong Mania in the country. Dynasty's partner firms include Britain's Betex, which helps manage the mainland government-run sports lottery in Guangdong, Guizhou and Hebei, and prepaid card retailer Beijing Junnet Science and Technology.
- **The China Internet Network Information Center announced its full support for Microsoft's Vista individual operating system.** In the past, Chinese users usually needed to input English-language characters on their browser's address column or email address column when they used Microsoft's operating systems, but with CNNIC's support, users can input in Chinese when they want to visit web pages or send emails to servers that accept Chinese-language e-mail addresses. Earlier in

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2006, CNNIC's two standards related to this use were approved as international standards by the Internet Engineering Task Force. Following that adoption, Microsoft implemented CNNIC's standard, which enables its Vista system to fully support online surfing in Chinese.

Media, Entertainment and Gaming

- **Shanda Interactive Entertainment Limited, a leading interactive entertainment media company in China, announced that it has entered into an exclusive agreement with leading South Korean online game developer Actoz Soft Co., Ltd., for the license to operate the popular massive multiplayer online game LaTale in mainland China.** The game is expected to enter close-beta testing in China in February 2007. LaTale is a cartoon-style side-scrolling game with a compelling storyline, rich scenes and effects as well as an advanced avatar system. The game was well received by Korean users upon its commercial launch in South Korea in July 2006 under a free-to-play model. LaTale has also been licensed by an operator in Japan and is scheduled to enter open-beta testing in March 2007.

Mobile/Wireless

- **China's Ministry of Information Industry announced that in its recent 3G standard test, it issued the first double module and double number readiness network access license to ZTE.** According to the ministry, the company won the license because it has developed a type of mobile phone that supports both double module and double readiness functions, enabling two numbers from two different networks to be ready for use at the same time.
- **Market sources said that China Mobile, the country's largest mobile operator, is offering its users in Guangdong free incoming calls while charging more on outgoing calls to maintain its revenue.** The free incoming call plan has been seen as negative for the mobile operator even as shares in China Mobile went up following the report. Guangdong Mobile, a subsidiary of China Mobile, launched the new package with a basic monthly tariff of 50 yuan (US\$6.4). The package does not include any free minutes, but under the so-called "calling party pays" pricing mechanism, Guangdong Mobile's users would not be charged receiving calls from either mobile or fixed-line phones. In a separate development, Guangdong Unicom, a China Unicom unit, also planned to launch its free incoming call package for GSM and CDMA users next month. Senior officials at the Ministry of Information Industry, the mainland's telecommunications regulator, support the free incoming call pricing mechanism.

Software

- **Rumors are Microsoft is setting up its first overseas MSN online services research and development center in Shanghai.** Local media sources are saying Microsoft's new MSN R&D center will be located in Shanghai Zizhu Science and Technology Park, with the project said to cost some US\$20 million in investment. The center will be used to develop software and offer technical support for MSN Messenger. Microsoft's MSN Messenger currently has more than 20 million users in China, and globally, is seeing increased competition from VoIP competitor Skype and Yahoo. In China, it has services like Tencent's QQ to also contend with. Microsoft has not confirmed the news.
- **e-Future announced that it was selected by IBM to provide a customer management eCard solution for B&Q China.** B&Q's parent company, Kingfisher is Europe's leading home improvement retail group and the third largest in the world, with leading market positions in the UK, France, Poland, Italy and China. Kingfisher operates over 700 stores in 11 countries in Europe and Asia. The family holds main retail brands including B&Q, Castorama, Brico Depot and Screwfix

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Direct. Since 1999, B&Q has developed and operated more than 50 stores in some 20 cities in China, with its business growing into twice the size of the nearest competitor, and becoming one of the largest Western retailers in China. IBM reportedly chose to utilize e-Future's experience, technologies, and professional capabilities in connection with the development of B&Q's customer management solution.

Hardware

- **TCL announced its launching of an LCD television chip production line in Guangdong Province.** The new production line, which features TCL's self-developed technology and devices, is reportedly the first in the world that has transformed artificial testing to automatic testing. TCL expects that with its launch, the production efficiency at TCL will be increased by 1.5 to 2.5 times and exceed the international average level. According to an official of TCL Multimedia China, it was the dramatic sales of TCL LCD televisions that prompted them to initiate this new production line, which he says has also demonstrated TCL's innovation capacity and competitiveness in the market. A significant factor in TCL's new production line is that it has adopted an automatic Functional Circuit Tester, which is rare in China and advanced throughout the world.
- **Beijing Gehua CATV Network Company announced that it has formed an alliance with other companies to provide comprehensive high-definition television service and to speed up the development of the service in China.** The alliance includes companies like Huacheng Film and Television Company, Dazhong Electronics, Dolby Laboratories Changhong, Haier, Hisense, Panasonic, TCL and Sharp. Huacheng said its CHC high-definition film is the first of its kind in China and will work with others to provide this to the alliance, while Gehua is mainly responsible for signal transmission among alliance members. The six TV manufacturers promise that their TV sets sold at Dazhong retail outlets conform to the national high-definition standard.
- **Lenovo Group, announced a 23 percent rise in its third-quarter net profit to US\$57.7 million in the three months to December, compared with US\$46.8 million a year earlier.** China's biggest personal-computer maker ascribed the rise to strong growth in India and Germany, which offset continuing losses in the Americas. Lenovo said sales went up by 0.3 percent to US\$4 billion. The company was expected to post a profit of US\$51.8 million, according to a Bloomberg survey. The company overseas posted a decline of 4 percent as sales dropped in the Americas, although worldwide shipments grew about 8 percent, against the 7 percent industry average. Lenovo's revenues from the Americas posted a 9.2 percent drop to US\$1 billion, or 26.1 percent of total sales. The segment posted a US\$4.1 million loss in the quarter, compared with a gain of US\$25.2 million a year earlier. Revenue in Europe, the Middle East and Africa and Asia-Pacific, excluding China, remained flat but margins improved after sales rose 16 percent in India and 50 percent in Germany. Profit in Europe, the Middle East and Africa soared 611 percent to US\$12.8 million, while earnings in Asia-Pacific, excluding China, grew US\$4 million. Revenue from handsets, mainly sold in China, registered a 19 percent decline to US\$146 million.
- **Computime Group, an electronic control and automation devices maker that listed in Hong Kong in October last year, is to maintain 15 percent to 25 percent annual turnover growth in the next few years on European demand for its Salus products.** The Salus brand of switches and thermostats, which the group began producing in 2004, recorded triple-digit growth in the six months to September last year, accounting for less than 1 percent of total sales. Shenzhen-based Computime, which competes with London-listed Invensys and New York-listed Honeywell, said Salus products, now being sold only in Britain, would soon become available in Germany and France and later

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throughout Europe. The company said that product sales in Europe would represent about 30 percent of revenue for the year to March, compared with 15 percent a year ago. In January, the firm reported 15.7 percent revenue growth to HK\$1 billion (US\$129 million) for the six months to September last year, boosted by demand for its appliance control products, the second-largest contributor. The company said its net profit went up 12.3 percent to HK\$73.9 million (US\$9.4 million) in the first half from a year earlier.

Semiconductor

- **Semiconductor Manufacturing International Corporation (SMIC) announced its consolidated results of operations for the three months ended December 31, 2006, with its sales increased by 4 percent in the fourth quarter of 2006 to US\$383.8 million from US\$368.9 million in the third quarter.** The company reported an increase in capacity to 182,250 8-inch equivalent wafers per month and a utilization rate of 86.6 percent in the fourth quarter of 2006. The company posted a net income of US\$1.2 million in the fourth quarter of 2006, compared to a net loss of US\$15.0 million in the fourth quarter of 2005 and a net loss of US\$35.1 million in the third quarter of 2006. SMIC posted record revenues of US\$1.4 billion dollars in 2006, which represented a 25 percent increase year over year, with gross profit of 68 percent year over year to US\$150.7 million dollars. For the first quarter of 2007, SMIC said it is expecting more than 17 percent of its total wafer revenue to come from 90nm sales.

Ventures/Investments

- **Sohu.com announced that it has entered into agreements with Vision Huaqing Development Company to purchase new office space in Beijing for US\$35.3 million.** With the deal, Sohu.com will occupy floors 7 through 15 of the Vision International Center. The premises consist of approximately 18,265 square meters, with Sohu.com required to pay the purchase price within five business days after the effective date of the agreements. The purchase price will be paid from available cash on hand.

Taiwan

Semiconductors

- **Advanced Semiconductor Engineering (ASE) and NXP Semiconductors announced the signing of a memorandum of understanding to set up a joint venture in China that would focus on semiconductor testing and packaging.** Under the agreement, the Taiwan-based ASE would hold 60 percent of the venture in the eastern Jiangsu province, with NXP taking the remaining 40 percent, in a filing to the Taiwan Stock Exchange. NXP is formerly Philips Semiconductors, a unit of Royal Philips Electronics of the Netherlands. Terms of the agreement are subject to final negotiations between the two companies and regulatory approval. No financial details were disclosed. With the understanding, NXP will contribute its existing testing and packaging operations as its initial investment in the joint venture. The tie-up will not affect the Dutch company's other testing and packaging sites in Asia and Europe.

Media, Entertainment and Gaming

- **Yorkey Optical International disclosed that its gross margin would stay above 30 percent this year as the company tries to boost sales and net profit.** Yorkey supplies Nikon, Olympus and Canon with phone and camera parts. Taiwan-based Yorkey is looking to benefit from increased

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demand for digital cameras as new products such as Apple's iPhone boost consumer interest. The firm does not yet supply Apple, which will target 1 percent of the mobile phone market next year after its iPhones go on sale this year. Global demand for digital cameras surged to about 90 million units last year from 70 million in 2004, said International Data Corp. Yorkey's first-half turnover posted a 10 percent increase to US\$34.5 million last year as more digital camera makers than usual delayed making contracts until the second half, a period of highest demand. The firm, which raised HK\$400 million (US\$51.2 million) in February last year before listing in Hong Kong, posted a 3.7 percent gain in first-half net profit to US\$10.3 million, as interest income rose about US\$2 million. Digital camera components accounted for about 63 percent of first-half sales with the rest contributed by camera phones, printers, computer peripherals, traditional film cameras and telescopes. Yorkey said it will invest US\$10 million this year to further boost capacity.

Hong Kong

Telecommunications

- **According to the Office of the Telecommunications Authority (OFTA), regulatory changes would give consumers purchasing telecommunications services – international calling cards and prepaid SIM cards for mobile phone services – offered by service re-sellers better protection.** With class license, anyone who offered telecom services to the public would be subject to regulation under the ordinance. Protection for consumers under the class license covered provision of information to the customers, maintenance of billing or charging accuracy and resellers' obligations not to engage in misleading or deceptive practices.
- **Market sources indicate that Hutchison Telecommunications International, a subsidiary of Hutchison Whampoa, is leaning favorably to potential bids from Reliance Communications and Vodafone Group for its Indian unit.** The same sources said that Hutchison Telecom was waiting for Vodafone, the world's largest mobile-telephone company, to submit a final bid structure before they make a general call for offers. Vodafone is expected to complete due diligence on the deal next week. Vodafone planned to submit a bid for Hutchison Essar in a few weeks. A Westhall Capital analyst was quoted as saying that an acquisition of Hutchison Essar by Vodafone at less than US\$20 billion was "very positive". Hutchison Telecom has 67 percent of Hutchison Essar, India's fourth-largest mobile-telephone company by subscribers. Essar Group, an Indian conglomerate whose businesses range from shipping to energy and telecommunications, holds the remainder. In a related development, Hinduja Group, an Indian conglomerate active in the oil, media and banking sectors, has also indicated interest in Hutchison's stake in the mobile firm. The company denied Indian media reports yesterday that it had withdrawn from the process.

Media, Entertainment and Gaming

- **Industry sources said that i-Cable Communications, which recently lost the right to broadcast English Premier League football matches after holding the franchise for 10 years, is planning a television channel that competitors say may infringe its license terms.** The broadcaster, which will introduce the channel under the Cable TV brand, is seeking to maintain viewer numbers and secure new advertising income after losing the EPL football franchise to PCCW's Now TV. Under the deal, Cable TV would invest almost HK\$100 million (US\$13 million) and recruit about 100 program and production staff for the channel, which was targeted to launch in the second quarter. The company did not disclose details of how it would charge for the new channel, which will rely on a

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large viewership to attract advertising revenue. The suggestion stirred concerns as to whether Cable TV would risk breaching its license condition of being a pay-television operator.

Mobile/Wireless

- **According to a survey made by Hutchison Telecom, mobile-phone users in Hong Kong prefer to watch their favorite television programs while they are on the go.** The city's largest 3G service provider recently launched a 3 Home TV service for subscribers, as telecommunications operators and content providers look to mobile television services to boost data revenue. Hutchison's service differs from offerings by other operators as it allows subscribers to choose what they want to watch through the use of a set-top box, called a Sling Box, offered by US-based Sling Media. The device gives 3G mobile-phone users access to their home television set, pay-television set-top box or computer. Hutchison said it will share the revenue from the service with its content or technology partners, as it claims also that the move to being a platform for content providers can boost efficiency.

Singapore/Malaysia/Philippines/Indonesia

Hardware

- **Singapore's Creative Technology indicated a return to profitability after a few quarters of poor results, with a net profit of US\$92 million in the second quarter to December, compared to the net loss of US\$21 million the company posted in the previous quarter.** The company, however, ascribed the results mainly to a settlement payout of US\$100 million from rival Apple, which contributed US\$82 million to the bottom line and boosted revenues to US\$434 million for a 76 percent increase on the previous quarter. The company said there are plans to slash about 6 percent of its 5,000-strong workforce and close unprofitable operations. Outside of the Apple windfall, the settlement has made the rivals into partners, opening a revenue stream for Creative as a made-for-iPod supplier of accessories such as speakers and headphones. Observers also see Creative entering into supplier deals with other technology players such as Microsoft and Samsung.

Mobile/Wireless

- **SingTel's Australian subsidiary Optus announced that it will spend A\$800 million (US\$619.6 million) on a 3G mobile network in a bid to challenge Telstra's dominance in rural and regional Australia.** Optus top official said the network would reach about 96 percent of the population of Australia. At present, distances make investment in telecommunications an expensive proposition. The network, which is expected to be operating in large regional centers by the end of the year, leveled the competitive playing field between Optus and Telstra. Telstra, which launched its expanded 3G network, known as next G, in 2006, dismissed the threat from Optus, saying its service was faster, reached more people and had superior content.

United States/Canada

Internet

- **Google's fourth-quarter profit nearly tripled to US\$1 billion, compared to net income of US\$372.2 million, at the same time in 2005.** After stripping out gains from tax benefits that were partially offset by expenses for employee stock compensation, Google said it would have earned US\$3.1 per share, which easily exceeded the average analyst estimate of US\$2.9 per share among analysts surveyed by Thomson Financial. Google said has earned US\$4.8 billion on US\$18.6 billion in

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sales, translating into a US\$26 profit on every US\$100. Analysts said the hefty profit margin is one of the reasons Google's stock has increased nearly six-fold from an initial public offering price of US\$85, minting the eight-year-old company with a market value of about US\$150 billion. Google also indicated the company would share an even larger portion of its revenue as it tried to strike more deals to distribute online video ads. The expansion plans are an offshoot of Google's US\$1.7 billion purchase of video sharing pioneer YouTube, an acquisition that was completed in the fourth quarter. Google also plans to begin selling print and broadcast ads as it tries to develop new sources of revenue.

Media, Gaming and Entertainment

- **Going beyond earnings expectations set by analysts, Electronic Arts exceeded Wall Street's earnings expectations, reporting net income for the three months to December 31 of US\$160 million compared with US\$259 million during the same period last year.** The company said its revenue for the quarter to December 31 posted a slight 1 percent rise to US\$1.2 billion. Excluding special expenses, such as a US\$28 million charge due to a major accounting change in stock-based compensation, the world's biggest video game publisher registered earnings of US\$201 million.
- **Time Warner, the world's largest media company, reported a 34 percent rise in its fourth-quarter profit following the acquisition of assets from Adelphia Communications Corp, which boosted cable-television earnings.** The firm said its net income climbed to US\$1.7 billion, compared with US\$1.3 billion a year earlier. It declared an 8.2 percent climb in its sales to US\$12.5 billion, compared with the US\$12.4 billion average estimate in a survey, with a 46 percent rise in profit at the cable unit, making up for a decline in earnings at the company's AOL Internet service and Warner Bros movie studio. Time Warner Cable is also attracting customers from telephone and satellite-television rivals with packages of cable, high-speed Internet access and broadband services. It posted a 58 percent rise in its sales to US\$3.6 billion, which representing 30 percent of the company's total revenue.

Hardware

- **Michael Dell, Dell's Founder and Chairman took the post again as Chief Executive again following the ousting of his handpicked successor, Kevin Rollins, after less than three years.** Analysts say the founder now has to face mounting problems alone as profit trails analysts' estimates for the third time in four quarters and rival Hewlett-Packard slashes prices to win sales. The company lost the personal computer market lead to Hewlett-Packard in the second half of last year. Profit margins shrank amid price-cutting to regain market share, with the company working hard to create a better image after poor customer service caused a decline in the brand's popularity.

Europe

Mobile/Wireless

- **Ericsson reported fourth-quarter pre-tax earnings below expectations at 12.2 billion kroner (US\$1.7 billion).** The company also reduced its market growth forecast for this year, a move that was in line with expectations of sector analysts, which forecast a tough year ahead. Ericsson indicated that it could benefit in a market that sees its rivals busy managing complicated mergers. Nokia is merging its networks business with that of Siemens while Alcatel and Lucent have joined up to become Alcatel-Lucent. Last year, pre-tax profit for Ericsson went up to 36 billion kroner (US\$5.1 billion) from 33 billion kroner (US\$4.7 billion) in 2005. Ericsson got a boost from a strong performance by

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mobile phone maker Sony Ericsson, whose fourth-quarter earnings reached a record. Ericsson owns the venture with Japan's Sony Corp. The company estimated that growth in the markets for systems with GSM/WCDMA mobile-telephone technologies had been as much as 5 percent last year and expected the same rate this year.

Internet

- **Citigroup announced that it has agreed to buy British insurer Prudential's Egg Banking online bank for 575 million pounds (US\$1.1 billion) in cash.** Analysts see the combination of Egg and Citigroup's British consumer operations as forming a financial services provider with more than 4 million customers, more than quadrupling Citigroup's 800,000 British credit card base. Citigroup has been moving in recent years to expand its online banking presence, having started its CitiDirect service last year, and the acquisition of Egg Banking fits with its plans. The transaction covers more than three million Egg customers, and products and services including online payment services, credit cards, personal loans, savings accounts, mortgages, insurance, and investments. Citigroup's British consumer business now serves more than one million customers primarily in wealth management and near prime lending markets, as well as offering current, savings, foreign currency accounts, credit cards, investments, offshore banking, personal loans, and mortgages.

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Other Economic Data

Currency Exchange Rates

Currency	Units	Current Rate (on 2/2/07)	% Change 1 Week Ago	% Change 1/1/2007	% Change 1/1/2006	% Change Last 12 Mth.
Japanese yen	¥/US\$	121.1200	-0.3%	1.7%	2.9%	2.2%
Hong Kong dollar	HK\$/ US\$	7.8080	0.0%	0.4%	0.7%	0.7%
Chinese renmenbi	RMB/ US\$	7.7560	-0.3%	-0.6%	-3.9%	-3.8%
Singapore dollar	S\$/ US\$	1.5353	-0.2%	-0.2%	-7.7%	-6.0%
South Korean won	KRW/ US\$	937.3000	-0.4%	0.8%	-7.2%	-3.6%
New Taiwan dollar	NT\$/ US\$	32.9160	-0.1%	1.0%	0.3%	2.6%
Australian dollar	US\$/A\$	0.7750	0.2%	-1.7%	5.8%	2.9%
New Zealand dollar	US\$/NZ\$	0.6814	-2.2%	-3.2%	-0.3%	-1.3%
Philippine peso	PHP/ US\$	48.7050	-0.8%	-0.6%	-8.3%	-6.5%
Euro	US\$/€	1.2961	0.4%	-1.8%	9.4%	7.2%
British pound	US\$/£	1.9660	0.3%	0.4%	14.1%	10.4%

Fixed Income Prices and Yields

Note	Currency	Current (on 2/2/07)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	93.4844	4.93%	94.4219	4.82%	96.1735	4.76%
Japan 30-year	¥	102.8060	2.35%	102.7915	2.32%	103.8550	2.28%
Hong Kong 10-year	HK\$	105.2022	4.36%	108.0323	4.36%	109.4240	3.67%
China (06/16)	US\$	113.5919	3.01%	113.6875	3.00%	113.6500	3.01%
Singapore 10-year	S\$	99.6810	3.24%	99.6680	3.24%	101.9560	3.07%
South Korea 20-year	US\$	108.9229	5.12%	108.7515	5.18%	109.3010	5.13%
Australia 15-year	A\$	151.1225	2.66%	151.7070	2.63%	151.6990	2.59%
New Zealand (12/17)	NZ\$	99.9435	6.00%	100.0311	5.98%	100.9770	5.88%
Philippines 20-year	PHP	135.1231	7.92%	135.8587	7.90%	138.5000	7.71%
India 30-year	INR	93.2183	8.01%	91.2250	8.20%	96.3900	7.71%
UK 30-year	£	97.7070	4.40%	97.5640	4.35%	100.3410	4.23%
Germany 30-year	€	96.6050	4.22%	96.5900	4.18%	98.4540	4.09%

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