



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

***Week of 25 February - 3 March, 2007***

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Equity Market Indicators					
Index	Closing Level (3/2/2007)	% Change 1 Week Ago	% Change 1/1/2007	% Change 1/1/2006	% Change 2006 Low
S&P 500	1,387.17	-4.4%	-2.2%	11.1%	13.4%
Dow Jones Industrial Avg.	12,114.10	-4.2%	-2.8%	13.0%	13.6%
Dow Jones Tech. Index	398.39	-5.2%	-3.5%	6.2%	18.2%
Dow Jones Telecom. Index	258.62	-4.7%	-0.6%	28.3%	28.5%
NASDAQ Composite	2,368.00	-5.8%	-2.0%	7.4%	17.2%
The Street.com Net	244.41	-6.3%	-1.2%	16.2%	27.0%
Japan Nikkei 225	17,217.93	-5.3%	0.0%	6.9%	21.1%
JASDAQ	87.60	-4.8%	1.6%	-32.7%	8.4%
Japan Mothers	1,067.33	-10.3%	-3.9%	-58.0%	5.8%
Korea KOSPI Composite	1,414.47	-3.8%	-1.4%	2.5%	17.5%
Korea Kosdaq	606.99	-0.6%	0.1%	-12.2%	12.6%
Taiwan Stock Exchange	7,604.96	-2.6%	-2.8%	16.1%	21.5%
Singapore Straight Times	3,078.74	-7.0%	3.1%	31.2%	35.0%
Hong Kong Hang Seng	19,442.01	-6.1%	-2.6%	30.7%	30.1%
Hong Kong GEM	1,296.74	-4.2%	5.9%	28.7%	29.0%
China Shanghai (A-Share)	2,973.96	-5.4%	5.6%	143.6%	139.5%
China Shenzhen (A-Share)	760.65	-3.4%	33.5%	162.2%	157.9%
China Shanghai (B-Share)	173.40	-7.8%	33.3%	179.6%	175.6%
China Shenzhen (B-Share)	493.01	-8.1%	13.8%	152.0%	147.5%

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
2/26/07	Infinera Corp [INFN.US] (NASDAQ)	Telecom	US\$150.0	Manufactures optical telecom equipment to create digital optical networks	Goldman Sachs/	Citigroup/ JP Morgan/ Lehman Brothers/ Thomas Weisel

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 3/2/07	% Change From Offer
N/A						

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Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 3/2/07	% Change From Offer
2/19/07	AQ Interactive Inc [3838.JP] (JASDAQ)	Designs and develops video game software for household-type equipment and mobile users	US\$10.5	¥156,000	¥269,000	72.4%

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
3/2/07	Curon Inc. [052350.KS]	Provides various software and Internet solutions	3/6/10	US\$10.0	7,462 shares	2/6/10

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## Weekly Highlights

### International

#### *Mobile/Wireless*

- **According to Gartner, worldwide sales of mobile phones went beyond 990.8 million units last year from 816.6 million in 2005.** The research firm noted that sales growth in the fourth quarter of 2006 was slightly slower than in the same period in 2005. Fourth quarter sales last year accounted for 284.2 million units, which represents a 21 percent growth from the year before. The report said Nokia finished the year with a 36.2 percent market share, a growth of 2.3 percent over 2005 despite criticism for having a lack of slim phones popular in mature markets in North America and Western Europe, and a weak midrange offering. Getting the No. 2 slot was Motorola achieving a 21.1 percent market share in 2006, up from 17.7 percent in 2005. Market share totals were Samsung, 11.8 percent; Sony Ericsson, 7.4 percent; LG, 6.3 percent; and BenQ, 2.4 percent. Collectively, the top six vendors accounted for more than 85 percent of the market, while the market share for the remaining vendors was about 5 percent less than in 2005. Gartner predicts that even with the intense competition in the market, new players from other industries will still join the market.

#### *Hardware*

- **According to IDC, surge in the demand for high-end systems in the fourth quarter pushed the global server industry to its highest annual revenue since the market peaked in 2000.** The report said the industry posted a growth of 5.2 percent in quarterly revenue compared to the same period last year, pushing annual industry revenue up 2 percent to US\$52.3 billion in 2006. For the first time in 10 years, quarterly demand for midrange and high-end systems outstripped demand for volume servers. Compared to the same period last year, fourth quarter revenue for high-end systems registered an 11.5 percent growth, compared to growth of 5.4 percent for midrange servers and 2.1 percent for entry-level. Despite the changing market, the players remained the same, with IBM getting the largest share of revenue with 32.8 percent market share, followed by HP at 27.2 percent. At third place was Sun, with 10.8 percent share, followed by Dell, with 10.3 percent share. Fujitsu/Fujitsu Siemens saw its server revenue drop in 2006 as it held onto its position in a distant fifth place.

### Japan

#### *Internet*

- **Soliton Systems K.K., a Tokyo-based firm that mainly builds systems for broadband content distribution services for apartment buildings and hotels, will make its debut on the JASDAQ Securities Exchange in March.** The company, which also develops and sells Internet authentication software and security systems, said it plans to use the proceeds from the IPO, estimated to be about 1.3 billion yen (US\$11.1 million) for investment in computer systems, and research and development programs. For the business year to March 2007, Soliton Systems projects consolidated sales of 19.1 million yen (US\$164,000) and a net profit of 895 million yen (US\$7.6 million).

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## *Media, Entertainment and Gaming*

- **Sony and Immersion reported the settlement of a patent dispute over the vibration technology that shakes video game controllers.** The two companies also announced their decision to work together to bring the so-called "rumble" function back to PlayStation products. Litigation threatened to halt the Japanese company's U.S. sales of PlayStation and PlayStation 2 consoles, controllers and games that use Immersion's vibro-tactile technology. The patented technology contributes a sense of realism to videogame play by jolting the player's hands whenever there are gunfire, explosions, crashes or other dramatic on-screen events. Immersion sued Sony Computer Entertainment and Sony Computer Entertainment America in 2002 seeking US\$299 million in damages. As part of the agreement, Sony will pay U.S.-based Immersion US\$97.2 million in damages and interest, as stipulated in the original court award that Sony was appealing. Sony will also pay US\$22.5 million in licensing payments through 2009 plus an unspecified amount of fees and royalties, with Sony shelling out an estimated US\$150.3 million to settle the litigation.
- **The country's software makers are working on the development of online gaming, with firms looking to online gaming as a new source of revenue in the stagnant game software market.** Among domestic software manufacturers, Koei has been identified the first to work on online game software. During fiscal 2007, it will produce software based on its hit product for game consoles based on Sangokushi (Romance of the Three Kingdoms). The company said, currently, online products account for only 20 percent of software sales, but it is aiming to increase that percentage. Capcom Co. is planning not only to develop software but also to set up a game portal site with the online game producer Dwango Co during fiscal 2007. GungHo Online Entertainment Inc., which operates a game portal, is in the process of developing a game based on the popular comic Hokuto no Ken (Fist of the North Star). Most games now offered by the firm are South Korean, but the company is bringing a software production company under its umbrella and thus giving itself a more comprehensive structure for development. Industry observers note that the popularity of portable game console Nintendo DS spurred domestic game software sales, which was previously stagnant, at about 300 billion yen per year. According to Enterbrain, the online game market in Japan will exceed 300 billion yen (US\$2.5 billion) in 2010, which would be 2.4 times the size of the market in 2005.
- **Tokyo Broadcasting System Inc. and Rakuten Inc. made a joint announcement of the nullification of their written conditions for tie-up talks.** The two companies, however, said they have agreed to keep discussing possibilities of alliances in some form. The nullification came after Rakuten, Japan's top online shopping mall, informed TBS that the voting rights on its TBS shareholdings are no longer frozen. Analysts are saying that the negotiations of the two companies might enter a new stage with TBS also announcing a revision of its measures to prevent hostile takeovers. The proposed TBS measures include a poison pill, in which equity warrants are issued to all existing shareholders to dilute an unsolicited acquirer's stake.

## *Hardware*

- **NEC announced that it has secured an agreement to work with Indian IT services group Sify to push thin-client computing in India.** Under the agreement, NEC will build virtual PC centers in India from which Sify can provide thin-client terminals to its 16,000 enterprise and 2 million consumer customers as an outsourced service. The terminals measure 16cm by 10cm by 3cm and are small enough to be mounted on a wall or behind a monitor. They support all main Internet applications including voice-over-IP telephony. The applications themselves run on an NEC server that maintains communications with the terminals. NEC reckons the system works about 34 percent cheaper than

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using conventional PCs. With the deal, NEC said that it aims to set up 100,000 thin-client terminals and 6,000 server units installed in India in the next three years, with a number of the terminals to be placed in Sify's 3,500 Internet cafes across the nation and will also be used in the company's call centers and office processing centers. NEC is also promoting the thin-client system in other markets. Local subsidiaries in Canada, France, the U.K. and the U.S. began promoting it this quarter and it will be available in China, South East Asia, Oceania and the rest of Europe during the second quarter. NEC said it aims to generate sales of 150 billion yen (US\$1.3 billion) in its first three years of operation.

- **Contec Co., a Japanese electronics maker, announced that it has secured approval to list on the Second Section of Tokyo Stock Exchange.** The company will offer 900,000 shares to the public in its initial public offering. Of those, 600,000 are newly issued shares and 300,000 are shares currently held in private. The company will conduct a book-building for the IPO shares. The company expects to net 1.2 billion yen (US\$10.2 million) from the IPO. It plans to use all the proceeds for the repayment of loans. For the fiscal year ending in March, the company forecasts a group pretax profit of 1 billion yen (US\$8.5 million), net profit of 694 million yen (US\$6 million), and sales of 22.7 billion yen (US\$194.3 million). Nomura Securities, the lead underwriter of the offer, also has a green shoe option allowing it to offer an additional 135,000 shares in the event of exceptional demand.

## *Ventures/Investments*

- **Market sources said that Sharp has plans to invest 200 billion yen (US\$1.7 billion) in a new plant in Japan to produce large flat screens for televisions.** The report said Sharp has planned to start building the plant in the western Japanese city of Himeji as early as the middle of this year, with the plant to produce 40-to-60-inch LCD panels. Sharp is reportedly looking to begin operations in 2009. Earlier, in January, Sharp announced plans to boost its output of flat screen televisions with new production lines in Japan and Mexico in response to flourishing demand for LCDs.
- **Industry sources indicated that U.S. investment funds Cerberus Group and Texas Pacific Group have been short listed as companies interested in the acquisition of Victor Co. of Japan, a money-losing subsidiary of Matsushita Electric Industrial Co.** The report said the two funds will soon submit their respective buyout plans to Matsushita, which will decide which fund to negotiate with on selling its 52.4 percent stake in the unit widely known as JVC. Earlier audio equipment maker Kenwood Corp. expressed willingness to take over the company but has since dropped out of the competition. Matsushita is expected to decide by the end of this month whether to enter into formal talks with Cerberus or Texas Pacific. Sources said Cerberus is seen as calling for JVC executives to acquire the shares from Matsushita through a management buyout by promising to provide the necessary capital for such a deal.

## **Korea**

### *Media, Entertainment and Gaming*

- **BBC Worldwide announced that it has become one of the first UK distributors to provide entertainment content to an Asian mobile television broadcaster's S-DMB (Satellite Digital Multimedia Broadcasting) service.** Under the agreement, customers of South Korea's TU Media will be able to watch 39 hours of BBC's Top Gear programming through in-car devices or gadgets such as mobile phones, laptops, and personal digital cameras. According to BBC Worldwide, the deal combines one of South Korea's most important new broadcasting technologies with one of the BBC's



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most popular titles. An official of TU Media Contents Acquisition noted that the deal is part of the company's aim to offer its customers the best programming available.

## *Mobile/Wireless*

- **Beceem Communications, a leading provider of chipsets for Mobile WiMAX technology, announced that Samsung Electronics Co., Ltd., a leading provider of mobile phones and telecom systems, has selected Beceem as one of its major Mobile WiMAX chipset vendors.** Beceem expects that the company's chipset would be in various Samsung WiMAX-enabled devices. The company said Samsung's selection of its chipset is a result of the company's close collaboration with Samsung's Mobile WiMAX development team.
- **SkyCross, a global wireless company providing antenna-centric RF solutions, announced that it is supplying both the internal and the external WiMAX antennas for the Samsung SPH-H1100 and SPH-H100 PC cards.** These cards operate on the WiBro network, which is a WiMAX-compliant standard for last mile broadband connectivity in South Korea. This announcement comes on the heels of the introduction of a WiMAX product line offered by SkyCross, which includes the first antennas designed and manufactured for this protocol. SkyCross is a global wireless company providing antenna-centric RF solutions to the mobile phone, home entertainment, and computing industries. These high-performance solutions bundle patented technologies, antenna products, and advisory services to streamline the design cycle, empowering device manufacturers to develop winning consumer electronics products and get them to market faster and easier. Founded in 2000, SkyCross is ISO 9001 certified and offers a full range of solutions from its facilities in Florida, in the U.S, Seoul in South Korea, and Shenzhen in China.
- **An intense competition looms in the country as South Korea's two dominant mobile phone operators are gearing to face each other for a market share in video-based third-generation (3G) telephony service.** Analysts are saying that, after months of preparations for the new service since its limited launch last year, top mobile operator SK Telecom Co. and perennial runner-up KTF Co. are now fully prepared to expand the service nationwide. The new service, which is based on improved wideband code division multiple access (WCDMA), is designed to allow users to enjoy video telephony and other diverse multimedia features through faster and more seamless connectivity. With its enhanced data download and upload speed, the new communications service, 3G high-speed downlink packet access (HSDPA) is touted by experts as likely to make the current voice-centered telephony service virtually obsolete. KTF is set to launch its nationwide service earlier than SK Telecom. KTF has reported that it spent 1.1 trillion won (US\$1.1 billion) last year on marketing activities, up 20.8 percent from a year earlier, which compared with SK Telecom's 2.9 trillion won (US\$3 billion), up 25 percent from the previous year. KTF Co. said it aims to attract 2.7 million subscribers to its expanded 3G mobile communications service by the end of this year.

## *Semiconductors*

- **Samsung Electronics Co. announced that it has started mass-producing the industry's first 1Gigabit DDR2 DRAM (dynamic random access memory) using 60-nanometer class technology.** The new process technology increases production efficiency by 40 percent over the 80nm process technology deployed in DRAM fabrication in 2006. It also provides twice the productivity of 90nm general process technology. The 60nm 1Gb DDR2 DRAM was first developed by Samsung in 2005 and is the latest in the company's nano-scale DRAM development. The 60nm process is expected to become the mainstream circuit technology for DRAM in 2008. In the first year



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of market availability, 60nm DRAM revenues are expected to reach US\$2.3 billion worldwide and increase to US\$32 billion by 2009.

- **Ansoft Corporation and Samsung announced the release of a new model library of Samsung's high-density, miniaturized surface-mount Multilayer Ceramic Chip Capacitors (MLCC), which are used for decoupling and temperature compensation in applications where PC board space is limited.** They are suited for new wireless and portable product designs, including notebook computers, mobile phones, PDAs, camcorders, VCRs, telecommunications and test equipment. The new MLCC library allows engineers using Nexxim and Ansoft Designer to simulate advanced PCB and hybrid IC designs. The library is available from Samsung's web site and can be downloaded and configured for use within Nexxim and Ansoft Designer. This site provides Ansoft customers with the ability to search for components by name, performance data or other specification. Samsung will maintain model support and upgrades, while Ansoft will address all customer support for Nexxim and Ansoft Designer.

## *Information Technology*

- **Samsung Card, South Korea's third- largest credit card issuer posted its first annual profit in four years.** The results, according to the company, prepare it for the decision to pursue an IPO this year. The company reported net income of 271.9 billion won (US\$289 million) last year, compared with a loss of 1.3 trillion won (US\$1.3 billion) it posted a year earlier. Samsung card said it plans to sell about 10 percent of itself in an IPO this year with the aim to improve its finances and will submit an application to the Korea Exchange next month.

## **China**

### *Internet*

- **Beijing ISM Internet Technology Development Co., the Chinese company behind the Gmail.cn e-mail service, declined to comment on a report that Google has renewed its attempts to acquire the Gmail.cn domain name.** From ISM's Beijing headquarters came the statement that the company was aware of the report, but was not clear about where the news was coming from. The company said it is not also sure whether Google had made an offer to buy the Gmail.cn domain name and disclosed that they will release a statement once things are clarified. In 2004, Google had already expressed interest on having the rights to the Gmail.cn domain, first approaching ISM about the domain name and its use of the Gmail name in August 2004. Nothing came out of the negotiation. Observers note that Google has invigorated its efforts to acquire sole rights to the Gmail name in web domains since opening up the free e-mail service to any user who wants an account.
- **Match.com, an online dating service, said it plans to announce the finalization of its acquisitions of two foreign Internet services: the online dating site Netclub in France and the eDodo social networking site in China.** According to comScore Media Metrix, Match.com, with its current 15 million users, is already the world's largest online dating and personals service. The addition of eDodo and Netclub would bring the company more than 4 million subscribers. The company looks to the deal with eDodo as promising as it will allow the company access to China for the first time. According to the market research firm iResearch.com, there are more than 64 million online singles in China, and the market is predicted to experience a 105 percent massive growth between 2004 and next year. Financial terms of the deal were not disclosed.

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- **51job.com reported an 18.2 percent rise in its total revenues for the fourth quarter of 2006 over the fourth quarter of 2005 to 171.1 million yuan (US\$22 million).** The company said its total revenues for 2006 went up by 17.2 percent to 697.9 million yuan (US\$90.1 million) from 595.6 million yuan (US\$77.0 million) in 2005. Its income from operations for 2006 posted a 49 percent growth to 114.7 million yuan (US\$14.8 million) from 77 million yuan (US\$10.0 million) for 2005. Print advertising revenues for the fourth quarter of 2006 posted a 10.7 percent rise to 87.4 million yuan (US\$11.2 million) compared with 79 million yuan (US\$10.2 million) for the same quarter in 2005, with the company ascribing the growth to a greater volume of advertisements in 51job Weekly which was partially offset by lower average revenue per page. Online recruitment services revenues for the fourth quarter of 2006 went up by 32.1 percent to 58.6 million yuan (US\$7.5 million) from 44.4 million yuan (US\$5.7 million) for the same quarter last year. The increase was principally attributable to growth in the number of employers using the company's online services. The estimated number of print advertising pages generated in 2006 increased 6.1 percent to 12,609 from 11,884 estimated pages in 2005.
- **Kingsoft said it has initiated the final beta test of its WPS Online Office 2007 version, which is seen as directly competing against Google's newly launched Google Apps.** The company said it plans to open it to public in April. The new online WPS version will not provide free services to individual users. The service will allow users to store their data on Kingsoft's servers, much like the new Google App, which does provide a free service. Kingsoft WPS started to offer a complete free individual version for its users in order to expand the company's market share. The new WPS Online version will only have one version. The company revealed that it is looking at an overseas listing soon.
- **NetEase.com, the mainland's largest online game operator by revenue, reported a 15.7 percent surge in its profit to 320.2 million yuan (US\$41.3 million) from 276.7 million yuan (US\$35.7 million) for the fourth quarter.** Beijing-based NetEase said its sales posted a 10.9 percent rise to 540.3 million yuan (US\$69.7 million). The company, however, which runs the mainland's most popular online game, Fantasy Westward Journey, reported that gaming revenue has declined from 467.9 million yuan (US\$60.4 million) in the third quarter to 451.6 million yuan (US\$58.3 million) in the fourth. Another game, World of Warcraft, the second most popular in the mainland, is developed by smaller rival The9, whose revenue posted a 22 percent growth in the fourth quarter from the third. Analysts maintain that games offered by NetEase and rival Shanda Interactive Entertainment would remain popular in smaller cities because of their brands and low computer capability requirement. Fantasy Westward Journey had peak concurrent users of 1.3 million, while Westward Journey II, the third most popular, had 603,000. To maintain its lead in the market, NetEase revealed its plans to upgrade its Westward Journey II to version III in the second quarter of this year. NetEase said it is looking for growth in Tianxia, a three-dimensional game it spent four years to develop.

## *Media, Entertainment and Gaming*

- **Focus Media confirmed that it is acquiring Allyes Information Technology Company Limited, the largest Internet advertising service company in China.** The admission follows a long stretch of rumors about the planned acquisition circulating in the market. Under the agreement, which is expected to close by the end of March 2007, Focus Media will acquire a 100 percent equity stake of Allyes for US\$70 million in cash and US\$155 million in the form of Focus Media ordinary shares and an additional payment of up to US\$75 million in Focus Media ordinary shares contingent upon Allyes meeting certain earnings targets during the twelve month period from April 1, 2007 to March 31, 2008. David Zhu said he has signed an employment agreement with Focus Media and will remain as the CEO of Allyes. Allyes is the largest Internet advertising agency and provider of Internet

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advertising technology in China. According to iResearch, China Internet advertising will reach 9 billion yuan (US\$1.1 billion) in 2007.

## *Mobile/Wireless*

- **Industry sources said the new round of public bidding for China Mobile's TD-SCDMA project has started, with the company reportedly calling in TD-SCDMA suppliers for a meeting.** Reports indicated that the bidding will be divided into two parts, involving core network and equipment, and each part has 5 suppliers to join the bidding. For the core network, suppliers include Huawei, ZTE, Nokia and Ericsson. The Telecom Institute of the Ministry of Information Industry said that because it is a large-scale network project, the requirements are much stricter than previous telecom rollouts. Five suppliers have also already entered the testing phase, including Datang, Potevio, ZTE, TD Tech and an unnamed Guangdong corporation. Earlier, Potevio and ZTE have reportedly passed the first test in February.
- **KongZhong announced its unaudited fourth quarter and fiscal year 2006 financial results, with total revenues for the fourth quarter posting a 7 percent growth from the same quarter of 2005 to US\$23.7 million.** The mobile value-added services (MVAS) company said its revenues from 2.5G services accounted for approximately 39 percent of total revenues, with revenues from 2G services holding the remaining 61 percent. Revenues from 2.5G services, which include services delivered using wireless application protocol (WAP), multimedia messaging service (MMS), and Java technologies, went down by 38 percent from the same period in 2005 and 16 percent from the third quarter of 2006 to US\$9.1 million. The company says the sequential revenues decrease was primarily due to the continuing effect of the regulatory changes introduced by China Mobile during the third quarter 2006 that, among other things, imposed a one-month free trial period for new subscription users, requiring that new users confirm subscriptions twice and mandated the termination of WAP subscriptions that have not been active for more than four months. WAP revenues in the fourth quarter of 2006 went down by 44 percent to US\$4.8 million from the same quarter of 2005 and a decrease of 16 percent from the third quarter of 2006. MMS revenues in the fourth quarter of 2006 went down by 20 percent to US\$3.9 million from the same period of 2005, and a decrease of 17 percent from the third quarter of 2006. Revenues from 2G services, including short messaging service (SMS), interactive voice response (IVR), and color ring back tone (CRBT) increased 2 percent quarter-over-quarter to US\$14.3 million in the fourth quarter of 2006.
- **Industry sources said that Datang Telecom Technology and Industry Group (Datang Group), a developer of the mainland's homegrown 3G technology TD-SCDMA, is expected to receive about 4 billion yuan (US\$516.4 million) from the government.** The fund is seen as preparing the group for a corporate restructuring. The report also indicated that the State-owned Assets Supervision and Administration Commission would be responsible for the cash injection. Last month, mainland sources said that China Mobile Communications Corp would inject 3 billion yuan (US\$387.3 million) into Datang Group, which both companies denied. The state-owned China Academy Telecommunication Technology holds Datang Group. It has two subsidiaries, including Shanghai-listed Datang Telecom, which focuses on telecommunications solutions and system integration business. Datang Mobile is the privately owned arm that is developing the TD-SCDMA network, technology and other related businesses. Earlier, Datang Telecom disclosed that it was aware of the report about the capital injection but had nothing to disclose. Datang Group licenses TD-SCDMA patent to various telecommunications vendors such as domestic firms ZTE Corp and Huawei Technologies as well as foreign players such as Nokia and Ericsson.

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- **Linktone, a Shanghai-based mobile value-added service provider, failed in its move to acquire Britain's Montermob, with Montermob, deciding to enter a partnership with Spanish Internet company LaNetro Zed.** The British company said LaNetro Zed's 34 million pounds (US\$66.1 million) cash offer would solve Montermob's cashflow problem. In 2005, Montermob, the developer of mobile-phone products such as games and ringtones acquired three Chinese companies to get into the mainland wireless market.

## *Hardware*

- **HASEE Group, a Shenzhen-based computer manufacturer, announced its shipment of 15,000 laptop computers to the United Nations.** The company said it won the bid to supply the computers last year, with the UN using this batch of computers for the Nigeria government's election to be held in March 2007. A representative from HASSE says the company won the bidding mainly because of the stable performance and competitive price of its computers, which are important factors for such a meaningful political election. HASSE sells more than 20,000 laptops each month in the international market, accounting for 40 percent of the company's total sales. The company expects its sales in overseas countries to reach 80,000 in the first quarter of this year. The company also owns the HASEE Industrial Park in Shenzhen.
- **Lenovo revealed that it has recalled about 205,000 laptop computer batteries worldwide, warning that they could overheat and cause a fire.** The battery recall was the second for the company in the past six months and came as Lenovo, the world's No. 3 computer maker, tries to gain ground on its better-known competitors. The latest recall included about 100,000 batteries in the U.S. and another 105,000 worldwide. The recall involved batteries made by Japan's Sanyo Electric. Lenovo said consumers should stop using the recalled products immediately. It said the batteries can overheat if the laptop is dropped a certain way, striking the battery on a corner edge. The advisory was made with the U.S. Consumer Product Safety Commission. An industry analyst said the recalls are not expected to have a major impact on the company. In a related development, Lenovo announced that a campus worth some US\$150 million in Morrisville is expected to open this month.

## *Telecommunications*

- **China Netcom Group Corp disclosed that its total number of users registered a 3.4 percent drop in the four months to January.** The company said it total users were 115 million by the end of January compared with 119 million users by the end of September last year, with industry observers ascribing the decrease mainly to a one-time cleanup of inactive users by the end of the year in a move to cut costs. China Netcom said it added 173,500 fixed-line users in January and 337,000 broadband users, bringing the total to 15 million. Industry sources said China added 6.3 million mobile-phone subscribers in January, the biggest monthly increase in almost a year, as more people in rural areas signed up for the services. The number of mobile subscribers in China, the world's biggest wireless market by users, went up to 467.4 million at the end of January, with the country gaining more than one million fixed-line telephone subscribers last month for a total of 369 million.

## *Ventures/Investments*

- **Industry sources said eBay, the world's largest online auction company, will invest US\$105 million for a 33 percent stake in a mainland electronic payment joint venture with Union Mobile Pay in a deal scheduled to be announced in two weeks.** Industry analysts said that eBay looks to leveraging on PayPal, its wholly owned global platform for online payment, by linking up with the domestic player, itself a joint venture between China Mobile and bank card provider China Unionpay. eBay launched PayPal in the mainland in 2005, two years after entering the country by



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acquiring online auction site Eachnet. Union Mobile Pay has a tie-up with Tom Online to provide mobile payment services in the mainland. However, its success has been limited.

## Taiwan

### *Hardware*

- **Market sources said that BenQ has announced its withdrawal from the DVD recorder market, with the product pages on its website no longer including DVD recorders and the company having informed retailers that it is no longer selling the products.** Following the drop in prices, BenQ said has decided to drop the segment when adjusting its product structure, the maker said that it will determine whether to enter the Blu-ray or HD DVD recorder markets based on market demand. With the exit, Mustek Systems will be the remaining DVD recorder provider from Taiwan while the global DVD recorder market will be dominated by major brands from Japan and South Korea such as Sony, Pioneer, Samsung Electronics and LG Electronics. In a related development, BenQ Mobile indicated that, despite the pending liquidation of BenQ Mobile, its parent company in Taiwan intends to stick it out in the handset market, focusing on smart phones and mobile Internet devices that take advantage of fixed-mobile convergence.
- **Industry sources said Apacer Technology, a module manufacturer, has applied to list on Taiwan's over-the-counter (OTC) exchange or Taiwan Stock Exchange (TSE) by the end of 2007 or the beginning of 2008.** The company currently is traded on Taiwan's Emerging Stock Board (ESB). Apacer said Acer, currently the largest shareholder of Apacer with a 59.3 percent stake in the company, will unload some of its shares in Apacer before the company lists. For the full year of 2006, revenues of Apacer exceeded NT\$15 billion (US\$455.7 million), up 20 percent from 2005, with sales contribution from its DRAM and NAND flash business currently at about 60 percent and 40 percent, respectively. The company plans to boost the proportion of NAND flash products in 2007.

### *Internet*

- **City Network, Inc., a company that designs, manufactures, and markets a comprehensive line of broadband and wireless Internet access solutions and consumer electronic products, announced that it has received notice from the American Stock Exchange that it has delisted the company due to a failure to comply with certain Amex continued listing standards and that the plan submitted by the Company intended to bring it into such compliance did not make a reasonable demonstration of the company's ability to do so.** The Company was given the opportunity to appeal and state that the Company intended to bring it into such compliance, but it did not make a reasonable demonstration to do so. City Network is a Taipei-based company that specializes in hardware and software, to develop and manufacture products in electronic communication, Home PNA network communication and Ethernet equipment.

### *Semiconductors*

- **Taiwan-based Advanced Semiconductor Engineering (ASE) announced its cancellation of a plan to set up a semiconductor packaging and testing joint venture with NXP Semiconductors in Suzhou, China.** The company disclosed that it has decided to go for a 60 percent stake in NXP's existing plant in Suzhou. In February, the packaging and testing provider announced that it and NXP signed a memorandum of understanding (MOU) to form a joint venture in Suzhou to focus on semiconductor testing and packaging, with NXP to hold a 40 percent stake in the venture while ASE would hold the remaining 60 percent. ASE attributed the reason for its

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decision to cancel the plan due to tax and workforce issues. After discussions with NXP, ASE said it now plans to invest US\$21.6 million via its subsidiary J&R in a bid to get a 60 percent stake in NXP's Suzhou plant.

## Hong Kong

### *Mobile/Wireless*

- **SmarTone Telecommunications, a Hong Kong-based mobile-telephone subsidiary of property developer Sun Hung Kai Properties, reported a 17 percent growth in its half-year profit to HK\$44 million (US\$5.6 million) from HK\$37 million (US\$4.7 million) it posted a year earlier.** The company attributed the growth mainly to increased deposit rate that doubled its finance income. The company said its sales went up by 13 percent to HK\$2.1 billion (US\$268.7 million). The company reported an earning of HK\$48 million (US\$6.1 million) in finance income, up from HK\$24 million (US\$3 million). The company, however, disclosed that market competition pulled down its operating profit by 20 percent to HK\$48 million (US\$6.1 million) for the period from HK\$60 million (US\$7.6 million) a year earlier. The company said it paid more on networks, sales and marketing and amortization cost on handset subsidies. SmarTone, a partner of Britain's Vodafone, has 1.1 million mobile subscribers, of whom 190,000 are 3G mobile-telephone users after the service was launched in late 2004. The firm said it plans to set aside about HK\$400 million (US\$51.1 million) as capital expenditure for this financial year. Operating profit of its Macau mobile business surged 18 percent to HK\$32.6 million (US\$4.1 million), surpassing the Hong Kong business, becoming the major profit contributor. Industry sources noted that Hong Kong's mobile-telephone operators are spending more on data services such as news and video clips and related networks to boost market share and income. In a separate development, PCCW said it would rebrand Sunday, which it acquired last year under its own brand this month.
- **Hutchison Whampoa's mobile-telephone unit in Australia reported its net loss widening by 39 percent last year, with the company attributing the loss to a one-off expense related to the closure of its CDMA network.** Analysts note, however, that the subsidiary has managed to make positive earnings before interest, tax, depreciation and amortization (EBITDA), which could enable Hutchison to concentrate on other more competitive markets such as Britain. Hutchison Telecommunications (Australia) reported a net loss of A\$759 million (US\$594.7 million) last year, compared with A\$547.3 million (US\$428.8 million) in 2005. It booked A\$307.9 million (US\$241.1 million) loss from the termination of its CDMA facilities. The firm reported A\$30.2 million (US\$23.6 million) in EBITDA and targets to have positive operating cash flow this year. Its 3G mobile subscribers nearly doubled to 1.2 million by the end of last year from 645,000 in 2005, out of which 1.1 million were monthly paid users, with some of the new subscribers coming from its defunct CDMA business. The company said its capital expenditure posted a slight 2 percent rise last year to A\$203 million (US\$159 million). Hutchison Australia said it plans to introduce the high-speed HSDPA technology later this year.

## Singapore/Malaysia/Philippines/Indonesia

### *Internet*

- **Google announced plans to open its first Southeast Asia research and development center in Singapore.** Google explained its choice of Singapore by citing its vibrant info-communications and

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technology environment. Singapore has been setting up efforts to bring in high-tech industries as it moves away from the traditional unskilled manufacturing sector.

## *Mobile/Wireless*

- **According to a market study conducted by HT Telesis, a value-added service provider registered with the country's National Telecommunications Commission (NTC), mobile TV broadcasting is commercially attractive in the Philippines, with the country offering some 39 million potential subscribers.** In a submission to the regulator, HT Telesis said it has recently conducted a market study covering Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore and Taiwan. The results showed that there were 240 million people from these markets that could subscribe to a service that will allow them to receive broadcast feeds on their mobile phones. The company said it is targeting those markets for redistributed multimedia broadcasts. The company currently provides e-mail, file transfer, remote log-in, web page hosting and facsimile services, but is seeking NTC permission to build, install and operate direct satellite transmission and redistribute multimedia broadcasting services. The company's study showed that start-up costs for the new services may reach US\$293,000 in the first year of operations, with potential first-year revenues from basic mobile TV subscriptions alone seen as hitting more than US\$2 million.

## *Semiconductors*

- **Temasek Holdings (Pte) Ltd, wholly owned subsidiary Singapore Technologies Semiconductors Pte Ltd (STS) announced its intention to launch a voluntary conditional cash offer for the remaining shares (including shares represented by American Depositary Shares (ADS)) in STATS ChipPAC Ltd. that STS does not already own.** STS currently has an approximate 35.6 percent stake in STATS ChipPAC. The Offer would also include an offer by STS for STATS ChipPAC's outstanding US\$115 million Convertible Notes due 2008 and US\$150 million 2.5 percent Convertible Notes due 2008. The offer for the convertible notes is conditioned on the offer for the shares becoming unconditional in all respects. Incorporated in 1974, Temasek Holdings is an Asia investment firm headquartered in Singapore. STATS ChipPAC Ltd. is a service provider of semiconductor packaging design, assembly, testing and distribution solutions. STATS ChipPAC is headquartered in Singapore and has manufacturing facilities located in Singapore, South Korea, China, Malaysia and Taiwan and test pre-production facilities in the U.S.

## *Telecommunications*

- **Telekom Malaysia (TM) announced that it has started moves to list its partly owned mobile operator Spice Communications on India's stock exchange.** Malaysia's biggest telecommunication said it has initiated the process by filing a draft prospectus for an IPO with the Securities and Exchange Board of India. The draft prospectus outlines the intention to raise funds through an initial public offering of 137.9 million shares through a full book building process. The company said proceeds of the IPO will be used to help pay its long-term debt, meet capital expenditure requirements and pay for long distance service and other license fees. Telekom holds a 49 percent stake in Spice through its investment holding company TM International, with the other 51 percent held by Indian company Modi Wellvest Private Limited (MWPL). Telekom said both companies would dilute about 20 percent of their holdings and that after the listing, MWPL's and TM's stakes will be reduced to 40.8 percent and 39.3 percent respectively. Spice has a customer base of some 2.4 million people in the two states, with industry sources noting that the company has initiated an expansion strategy in India.



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## United States/Canada

### *Internet*

- **Microsoft Corp. announced that it has agreed to the acquisition of privately held Medstory Inc., a company that operates a search engine for health information.** Microsoft said it expects that the acquisition of privately held Medstory Inc. will improve its health-search offerings and anchor what it described as a “broader consumer health strategy.” The deal is expected to make Medstory a part of the recently created Health Solutions Group at Microsoft. The company did not say whether Medstory’s technology will be integrated with Windows Live Search, the company’s search engine. Financial terms of the acquisition were not disclosed.

### *Mobile/Wireless*

- **Verizon Wireless announced the launching of a broadcast TV service for cell phones in about 20 Midwestern and Western markets in the U.S.** For the service, the company is charging US\$15 to US\$25 a month for the initial lineup from eight leading networks. Industry observers see the launch as giving the country's first detailed glimpse of the features and pricing for a long-awaited next wave in cellular technology and followed a demonstration in New York of a planned rival broadcast service called Modeo. Earlier, MobiTV, a forerunner to these new offerings, reported that it has reached 2 million users. V Cast Mobile TV, delivered over a separate wireless network operated by Qualcomm Inc., requires a new handset capable of receiving the broadcast signal in addition to the regular cellular signal for phone calls and mobile Internet access. The eight 24-hour channels are CBS Mobile, Comedy Central, ESPN, Fox Mobile, MTV, NBC 2Go, NBC News 2Go and Nickelodeon. Verizon Wireless, owned jointly by Verizon Communications Inc. and Vodafone Group PLC, is offering the broadcast TV lineup either as a standalone product for US\$15 a month, or bundled for US\$25 a month with the company's mobile web access and the wide-ranging library of V Cast video clip downloads. The first dual-mode handset from Samsung Electronics Co. costs US\$200 without signing a new Verizon service contract, or US\$50 less with a new commitment. Verizon Wireless said it is introducing a second handset made by LG Electronics Co. in the coming weeks.
- **BPlay, the next-generation mobile content portal exclusively for BlackBerry handsets from Research In Motion (RIM), announced that it has entered into an exclusive, long-term partnership with Hands-On Mobile, a leading global publisher of mobile lifestyle, games, and personalization products.** Under the agreement, BPlay will develop and distribute Hands-On Mobile's best-selling titles to BlackBerry handsets worldwide including World Poker Tour: Texas Hold 'Em 2, Top Gun: Gulf Crisis, Call of Duty 3 and Monopoly Tycoon 2007. This latest signing will add Hands-On Mobile's titles to BPlay's growing roster of premium content partners, which includes Konami, Global Fun, PopCap Games, THQ Wireless, and Magmic Games. BPlay, a division of Magmic Games, is the next-generation mobile content portal exclusively for BlackBerry handsets, housing the world's top brands and content for BlackBerry users. Magmic Games is a leading mobile game developer and publisher with offices in Ottawa, Vancouver, Seattle, and Boca Raton. Hands-On Mobile is a U.S. corporation with headquarters in San Francisco and offices in California; London and Bollington, England; Krakow, Poland; Sao Paulo, Brazil; Shanghai and Beijing, China; and Seoul, Korea.

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## *Software*

- **iSkoot Inc. announced that it has generated some US\$7 million in venture capital funding from a group of investors led by Charles River Ventures.** Earlier, three investors composed of Khosla Ventures, ZG Ventures, and Jesselson Capital Corp. also took part in the new round of funding, a participation bringing the total amount raised by iSkoot to US\$13.2 million. iSkoot, based in Cambridge, Mass., develops software for mobile phones that enables users to make calls over the handset's wireless Internet connection. Observers noted that cell phone companies have been wary of such applications because they make money from connecting calls themselves. In 2006, iSkoot scored a key deal with the European wireless carrier 3 Group to enable its cell phones to make Internet calls using eBay Inc.'s popular Skype service. The deal with 3, a unit of Hong Kong-based Hutchison Whampoa Ltd., marked the first carrier-authorized offering of a Skype-to-mobile service. The company said the iSkoot software will come preloaded on certain phones, including Nokia and Sony Ericsson handsets.
- **Hewlett-Packard disclosed that it has agreed to the acquisition of Polyserve, a maker of storage virtualization software, a move that observers say will give HP the technology it needs to boost its storage offerings by leveraging its fast-growing blade server business.** The transaction is expected to close in about sixty days, the time needed for PolyServe to become part of HP's StorageWorks division in the Technology Solutions Group. Financial details of the agreement were not disclosed. Observers also note that the Polyserve acquisition would enable HP to gain control over one of the few virtualization technologies available for the leading enterprise databases. According to Gartner, IBM led the worldwide blade server market in 2006, followed by No. 2 HP. According to Technology Business Research, with the acquisition, IBM could feel more competitive pressure from HP.

## *Hardware*

- **Dell, the world's second-largest personal-computer maker posted fourth-quarter sales of US\$14.4 billion and net income of US\$673 million in the three months to February 2.** The results were preliminary because of a government probe into Dell's accounting. Dell reported profit of US\$1 billion on sales of US\$15.2 billion in the same quarter a year earlier. The company said its sales of notebook and desktop personal computers, which account for more than 50 percent of Dell's revenue, declined after the company lost customers to HP. Its notebook personal computers revenue posted a 2 percent decline to US\$3.8 billion on a 2 percent rise in shipments. The company said its revenue from desktop machines also declined after shipments went down by 18 percent. According to IDC, Dell's shipments posted an 8.4 percent drop in the calendar fourth quarter while HP's registered a 24 percent rise. The company stopped providing financial forecasts in May last year.

## *Semiconductors*

- **Cypress Semiconductor Corp. announced that it has entered into a definitive agreement to sell its SMaL Camera Technologies, Inc. subsidiary to Sensata Technologies, Inc.** The transaction is expected to close later this quarter. SMaL Camera provides cameras and camera subsystems to automotive advanced driver assistance systems for such customers as Bosch and Delphi. Sensata Technologies is a leading designer and manufacturer of sensors and controls for leaders in the global automotive, appliance, aircraft, industrial and HVAC markets. Formerly the Sensors & Controls business of Texas Instruments, Sensata Technologies was acquired by Bain Capital, LLC, a leading global private investment firm, in April, 2006. Sensata has business and technology development centers in Attleboro, Massachusetts, Holland and Japan and manufacturing operations in Brazil,

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China, the Dominican Republic, Korea, Malaysia, and Mexico, as well as sales offices around the world. Cypress delivers high-performance, mixed-signal, programmable solutions that provide customers with rapid time-to-market and exceptional system value. Cypress offerings include the PSoC Programmable System-on-Chip, USB controllers, general-purpose programmable clocks and memories.

## *Ventures/Investments*

- **According to Motorola, investor Carl Icahn revealed his plan to buy about US\$2 billion of Motorola's stock.** The company said Icahn and his fund Icahn Partners were each filing to buy at least US\$119.7 million and as much as US\$500 million in shares. Icahn Partners Master Fund and Icahn Partners Master Fund II are each filing to buy more than US\$500 million in shares of the second-largest mobile-telephone maker. Icahn is Motorola's 11th-biggest shareholder.
- **According to Motricity, investor Carl Icahn has made a US\$50 million investment in the mobile phone content provider, marking the second investment made by the financier in recent weeks in firms focusing on mobile wireless.** Motricity provides a variety of content to mobile phone service providers including AT&T's Cingular Wireless, Alltel, and Sprint, as well as to media and entertainment companies including NBC, Turner, and Warner Music Group.

## **Europe**

### *Mobile/Wireless*

- **Nokia and Elisa, a leading Finnish communications and ICT solutions company, announced that they will carry out a pilot of Nokia's new N-Gage mobile gaming service.** The pilot will start in February 2007 and run until mid 2007. Under the agreement, Elisa will combine its existing mobile gaming platform with the Nokia N-Gage gaming platform and carry out intensive testing and evaluation in a live network environment. Nokia and Elisa will work together to bring a superior mobile gaming experience for Elisa customers. With the scheduled launch in mid 2007, Nokia's next generation mobile gaming platform makes it easy for people to find, buy, play and share rich and immersive games on a range of Nokia devices. Elisa intends to support the launch with a full service offering through its own portals in addition to the N-Gage application installed on Nokia devices. Elisa offers a comprehensive range of communications services, including voice and data services, connections to the Internet, customized ICT solutions and network operator services.

### *Media, Entertainment and Gaming*

- **EMI disclosed that it has turned down 2.1 billion pounds (US\$4.1 billion) all-cash bid from Warner Music, with EMI explaining that the price was too low and that it could not accept an offer that would entail months of regulatory uncertainty.** Market sources indicated that EMI is particularly worried that it would be months before any deal is approved by the regulators. EMI is currently in the middle of stabilizing the firm following two profit warnings. This is the fourth time that Warner and EMI have been involved in merger talks this decade. The European Commission, which would approve the deal, said that it would take several more months to reexamine the legality of the merger between Sony and BMG, the approval of which could pave the way for an EMI-Warner deal.

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## Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 3/2/07)	% Change 1 Week Ago	% Change 1/1/2007	% Change 1/1/2006	% Change Last 12 Mth.
Japanese yen	¥/US\$	117.4600	-3.2%	-1.4%	-0.2%	1.1%
Hong Kong dollar	HK\$/ US\$	7.8137	0.0%	0.5%	0.8%	0.7%
Chinese renmenbi	RMB/ US\$	7.7460	0.0%	-0.8%	-4.0%	-3.6%
Singapore dollar	S\$/ US\$	1.5264	-0.4%	-0.8%	-8.2%	-5.7%
South Korean won	KRW/ US\$	945.1500	0.8%	1.6%	-6.4%	-2.5%
New Taiwan dollar	NT\$/ US\$	32.9170	-0.2%	1.0%	0.3%	1.9%
Australian dollar	US\$/A\$	0.7833	-0.8%	-0.7%	6.9%	4.9%
New Zealand dollar	US\$/NZ\$	0.6859	-2.8%	-2.6%	0.3%	2.9%
Philippine peso	PHP/ US\$	48.7050	1.2%	-0.6%	-8.3%	-5.0%
Euro	US\$/€	1.3164	0.4%	-0.3%	11.1%	10.3%
British pound	US\$/£	1.9510	-0.3%	-0.4%	13.2%	11.7%

## Fixed Income Prices and Yields

Note	Currency	Current (on 3/2/07)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	101.7031	4.68%	99.1620	4.79%	98.0810	4.82%
Japan 30-year	¥	104.3995	2.25%	102.9475	2.37%	102.7880	2.34%
Hong Kong 10-year	HK\$	105.1985	4.36%	104.5712	4.36%	105.2020	4.20%
China (06/16)	US\$	112.9534	3.06%	113.5187	3.01%	113.5900	3.01%
Singapore 10-year	S\$	100.7660	3.18%	99.7440	3.25%	99.7310	3.28%
South Korea 20-year	US\$	110.6138	5.07%	110.1020	5.14%	108.9230	5.20%
Australia 15-year	A\$	154.7160	2.42%	152.5445	2.57%	151.1220	2.68%
New Zealand (12/17)	NZ\$	101.3517	5.84%	100.5442	5.94%	99.9430	6.01%
Philippines 20-year	PHP	134.4342	8.06%	135.1223	7.87%	135.1200	7.95%
India 30-year	INR	91.1950	8.18%	92.4649	8.03%	93.2183	8.01%
UK 30-year	£	100.2570	4.24%	97.4700	4.35%	97.7692	4.39%
Germany 30-year	€	98.4260	4.09%	96.4870	4.16%	96.6550	4.20%

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