

# IRG WMR



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

*Week of 26 May - 1 June, 2008*

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Equity Market Indicators					
Index	Closing Level (5/30/2008)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
S&P 500	1,400.38	1.8%	1.6%	-4.6%	-1.3%
Dow Jones Industrial Avg.	12,638.32	1.3%	-0.1%	-4.7%	1.4%
Dow Jones Tech. Index	429.08	-0.5%	6.1%	-6.6%	4.0%
Dow Jones Telecom. Index	282.40	-0.4%	-2.4%	-9.9%	8.6%
NASDAQ Composite	2,522.66	3.2%	5.6%	-4.9%	4.4%
The Street.com Net	280.53	3.3%	10.4%	-0.4%	13.4%
Japan Nikkei 225	14,338.54	2.3%	5.5%	-6.3%	-16.8%
JASDAQ	64.68	0.0%	3.3%	-10.4%	-25.0%
Japan Mothers	652.35	-1.9%	-0.1%	-16.7%	-41.3%
Korea KOSPI Composite	1,852.02	1.3%	14.0%	-2.4%	29.1%
Korea Kosdaq	652.15	0.5%	7.1%	-7.4%	7.6%
Taiwan Stock Exchange	8,619.08	-2.4%	14.6%	1.3%	10.2%
Singapore Straight Times	3,192.62	2.3%	7.1%	-7.9%	6.9%
Hong Kong Hang Seng	24,533.12	-0.7%	4.6%	-11.8%	22.9%
Hong Kong GEM	896.24	0.4%	-10.5%	-33.6%	-26.8%
China Shanghai (A-Share)	3,602.66	-1.1%	-21.7%	-34.8%	28.0%
China Shenzhen (A-Share)	1,088.59	-1.5%	-21.0%	-28.4%	91.1%
China Shanghai (B-Share)	242.86	-1.0%	-19.7%	-33.6%	86.6%
China Shenzhen (B-Share)	544.52	1.6%	-14.8%	-23.3%	25.7%

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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 2/15/08	% Change From Offer
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
N/A						

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

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## Weekly Highlights

### International

#### *Internet*

- **Many members of the Web 2.0 generation of internet companies have so far produced little in the way of revenue, despite bringing about some significant changes in online behavior.** The shortage of revenue among social networks, blogs and other social media sites that put user-generated content and communications at their core has persisted despite more than four years of experimentation aimed at turning such sites into money-makers. Yet that has not stopped a continuing round of venture capital fundraising and acquisition activity at high valuations as investors and corporate acquirers hunt for businesses capable of rising above a crowded field.

#### *Semiconductor*

- **Global semiconductor sales this year will probably increase less than previously forecast, on slumping demand for memory chips used in personal computers and consumer electronics.** Chip sales will probably rise 4.7 percent to US\$267.7 billion in 2008, less than the 9.1 percent forecast in November, and will gain 5.8 percent in 2009. Revenue increased 3.2 percent last year. WSTS, whose members account for about 90 percent of the industry, joins market researcher iSuppli Corp. and UBS AG in lowering the outlook amid concern the global economy is slowing. The worst housing slump in more than a generation in the U.S. is undermining home values, consumer spending and overall growth.

### Japan

#### *Telecommunications*

- **Nippon Telegraph and Telephone Corp. announced that the Board of Directors approved a year-end cash dividend of 4,500 Japanese yen per share of NTT's Common Stock, payable to shareholders of record as of March 31, 2008.**

#### *Semiconductor*

- **Renesas Technology Corp. will nearly double production of high-power amplifiers (HPAs) for mobile phones this year to keep pace with growing demand.** The company is planning to produce 38 million units per month in fiscal 2008, 90 percent more than in fiscal 2007. The increase will be achieved with minimum capital spending by altering the product mix and increasing outsourcing of preparatory operations such as burning circuits onto substrate materials. HPAs are semiconductors that amplify power so that handsets can send strong signals.
- **Altair Semiconductor, the developer of advanced 4G mobile semiconductors for handheld devices, announced it has been selected to supply the chipsets for wireless devices operating on Willcom's next generation Personal Handyphone System in Japan.** Altair will supply its ALTx150 series ultra-low power and high performance chipsets to Willcom's authorized ecosystem of mobile handset and handheld device manufacturers. Willcom will deploy its next generation PHS network using orthogonal frequency-division multiplexing access (OFDMA) technology that is architected to achieve higher capacity and lower cost per bit compared to traditional 3 and 3.5G cellular technologies.

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## *Mobile/Wireless*

- **PHS service operator Willcom Inc. aims to attract more Japanese subscribers with its next-generation personal handyphone system and new handsets.** Willcom has branded the new PHS service Willcom CORE. Slated for launch next April in Tokyo, it will feature speeds of several tens of megabits per second. The company intends to expand the service by the following fall to all major cities, while also ultimately boosting the transmission speed to 100mbps and beyond. PHS handsets are currently far slower than cell phones, but next-generation PHS will not lose out on speed.

## *Media, Entertainment and Gaming*

- **Nintendo Co., McDonald's Holdings Co. (Japan) and a subsidiary of Nippon Telegraph and Telephone Corp. said Monday they will launch a trial run Tuesday of data distributing services using Nintendo DS portable game consoles.** Using the wireless communication function of the DS console at designated places including McDonald's outlets, game console users can download special software for viewing data offered by McDonald's Japan and NTT Broadband Platform Inc. such as information on sales campaigns and merchandise, news and transportation transfer information for free of charge.

## *Hardware*

- **Sony had signed an agreement with the top U.S. cable companies that led the way for televisions that could receive digital signals without need for a television set-top box.** U.S. cable television customers currently use set-top boxes, which are made by companies such as Motorola and Cisco Systems, which owns Scientific Atlanta. Other consumer electronics companies besides Sony also have been invited to formally join the memorandum of understanding Sony negotiated with Comcast, Time Warner Cable, Cox Communications, Charter Communications, Cablevision Systems and Bright House Networks.
- **Hitachi Ltd. said it aims to slash its annual cost of procuring basic materials and components by 300 billion yen (US\$2.9 billion) to help it cope with surging crude oil and commodity prices, as well as achieve its profit ratio commitments for the year to March 2010.** Hitachi plans to cut overhead costs by 15 billion yen (US\$142.2 billion), while setting aside 5.0 billion yen (US\$47.4 billion) in cash and cash equivalent for covering the rise in borrowing costs. Huge assets will be tapped to improve its cash flow by 5.0 billion yen (US\$47.4 billion), the company said, but did not specify whether it was selling some of its assets.

## **Korea**

### *Telecommunications*

- **Datang Telecom Technology Co., Ltd. announced that it will expand its cooperation with SK Telecom in order to develop value-added TD-SCDMA services that are in line with China's 3G standard.** Chen Shanzhi, spokesman of Datang Telecom Technology, disclosed that the two companies will cooperate on developing TD-based 3G content applications in South Korea and that they will introduce SK Telecom's advanced 3G technology on China's 3G network.

### *Semiconductors*

- **Hynix Semiconductor Inc. is seeking to recover several billion won from Japan in duties it paid that were ruled illegal by the World Trade Organization.** Hynix filed a request to the

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Japanese government to return tax payments made since January 2006. The WTO has ruled that Japan must abolish the duty by September 1. In November, WTO appeals judges backed an earlier ruling that the 27.2 percent tariff imposed by Japan on Hynix's semiconductors was illegal. The taxes were introduced following complaints from Japanese chipmakers including Elpida Memory Inc.

- **Hynix Semiconductor Inc. said it will reduce capital investment for this year by 28 percent to 2.6 trillion won (US\$2.5 billion).** The company joins Qimonda AG and Nanya Technology Corp. in reducing spending for production increases, helping prices recover. The price of the benchmark DRAM chip has gained 12 percent this quarter after remaining at near record lows since sliding 85 percent last year, according to Taiwan-based Dramexchange Technology Inc., Asia's biggest spot market for semiconductors. Separately, Samsung developed a faster NAND flash memory-based storage device that may replace hard-disk drives in notebook computers. The so-called solid-state drive is 2.4 times faster than traditional hard drives.
- **Samsung Electronics Co. predicted prices may recover later this year as an oversupply eases. Memory-chip prices are no longer cost efficient.** Still, the industry outlook for the second half remains unclear. Samsung's statement backs Deutsche Bank AG's forecast that the industry has bottomed and will recover through 2009 because of significant slowdown in supply growth. Prices of the chips known as dynamic random access memory, or DRAM, have rebounded in the past two months after a glut drove major producers including Samsung to post losses for the product last quarter.
- **Samsung Electronics plans to invest 946.8 billion won (US\$902.2 million) in upgrading memory lines this year.** The spending is part of the South Korea-based company's 2008 investment plan of a combined 11 trillion won (US\$10.5 billion), with about 64 percent out of it earmarked for memory products such as DRAM and flash chips. Samsung said in a filing to the Korea Exchange that the spending would help maximize production and improve cost competitiveness. But it did not give more details, nor say which type of memory chips, used in electronic gadgets, the lines will be manufacturing. The company also said it has developed a new solid state drive which is expected to replace hard disk drives in laptop computers. Samsung said its 256-gigabyte solid state drive (SSD) for data storage is 2.4 times faster than traditional hard drives. The company plans to begin production of SSDs this year. The new SSD represents a bold step in the shift to notebooks with significantly improved performance and larger storage capacities.
- **Samsung Electronics has started buying chipsets, a key part of handsets, from German chipmaker Infineon in a move to reduce its reliance on Qualcomm Inc.** Samsung, the world's No. 2 mobile handset maker, had depended wholly on wireless technology firm Qualcomm, which holds patents for code division multiple access (CDMA) technology, for chipsets used in advanced third-generation (3G) mobile phones. Samsung's move would help give it leverage in price negotiations with Qualcomm and likely have a substantial impact on other domestic mobile phone makers.
- **MagnaChip Semiconductor announced the launch of its 2.2um 1/10 inch VGA CMOS image sensor (MC501EA) for use in slim, high performance mobile phones.** The MC501EA CMOS sensor integrates VGA (640Hx480V) resolution with an advanced image signal processor to enable compact 5x5x3mm camera modules. The MC501EA also provides low noise 10-bit ADC and scene adaptive control, noise filtering, color processing and edge enhancement, resulting in crisp, true color images.



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## *Hardware*

- **LG Electronics Inc. said it may have to cut its handset prices as well if Nokia OYJ makes the first move as it tries to grab customers away from Motorola Inc. especially in the U.S. market.** There is market talk that Nokia, the world's largest handset maker, may cut its prices for select cellphone models by up to 20 percent to grab some U.S. customers away from Motorola. The speculation has fueled worries that Nokia's weaker rivals, including LG Electronics and Samsung Electronics Co. Ltd, may be forced to follow suit at the expense of profitability.

## **China**

### *Semiconductor*

- **NXP Semiconductors and T3G Technologies announced that the 3G cellular system solution T3G7208 is now commercially available to the Chinese market.** Special edition T3G7208 TD-SCDMA phones with added push-to-talk functionality have also been provided by Samsung to the Beijing Olympic Games Organizing Committee. TD-SCDMA services are now in commercial trial across eight cities in China, including Beijing, Shanghai and Guangzhou. With the T3G7208-powered Samsung SGH-L288, featuring video telephony, data communication at 384 kbps downlink and 128 kbps uplink and a 2 megapixel camera, end users will be able to employ multimedia and data transfer through the 3G networks.

### *Telecommunications*

- **Ruey-bin Kao, president of Motorola China, announced that China is not only Motorola's manufacturing base but also an innovation, research and development base.** Motorola has already invested US\$3.8 billion in China, one of the largest amounts of foreign funds flowing in the country from a single investor, with Tianjin enjoying most of these funds. More specifically, since the establishment of the company's manufacturing base in China, investment in research and development has accounted for almost US\$1 billion.
- **ZTE Corp. announced that its share in the global optic transmission product market grew the fastest compared to all other in the industry in 2007.** Annual growth rate for the company's share in the global optic transmission product market was over 100 percent in 2007, far higher than the industry average of 24 percent. The company was found to have the second largest market shares in the global market sub-sectors for LH-DWDM (Long Haul - Dense Wavelength Division Multiplexing) and ADM (Add/Drop Multiplexer) products in 2007. The company generated RMB 6.37 billion (US\$917.87 million) in revenue from its optic communication and data communication system products, up 64.3 percent year-on-year due to increased sales.
- **ZTE Corp. has been selected by Zapp, Romania's fourth largest mobile operator, to roll out a WCDMA/HSDPA commercial network as well as upgrade Zapp's CDMA network to CDMA2000.** Zapp plans to launch 3G commercial services in early autumn this year, and the WCDMA/HSDPA network is slated for completion by 2011. The WCDMA/HSDPA equipment to be provided by ZTE is compatible with Zapp's existing network and will be used to build a network fully dedicated to data services. The network will enhance the quality and speed of services offered by Zapp by increasing its data transfer rate from 2.4 Megabits per second (Mbps) to up to 7.2 Mbps.
- **China GrenTech expects China's long-awaited telecoms industry overhaul to spur multi-billion dollar spending on networks and drive its revenue considerably higher in 2009.** If the



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telecom revamp can be completed by the end of September as expected, revenue growth at GrenTech, a small-cap firm which makes networking components that can boost signals in sites from subways to skyscrapers, could rise a further 5-10 percentage points this year.

## *Mobile/Wireless*

- **China Mobile has begun to allow ZTE, Yulong, Samsung and LG to sell TD-SCDMA handsets directly to customers through China Mobile service centers in eight cities, signaling a step from the trial of TD-SCDMA handsets to full commercialization.** Prior to the move, China Mobile's service centers only sold TD-SCDMA handsets that the operator had purchased from handset manufacturers to sell to customers taking part in the trials. An official from ZTE confirmed to Interfax that ZTE has started selling TD-SCDMA handsets through China Mobile's service centers in the eight cities of Beijing, Tianjin, Shanghai, Guangzhou, Shenzhen, Shenyang, Xiamen and Qinhuangdao, where China Mobile is conducting TD-SCDMA network trials.
- **China Mobile has cut short message service (SMS) fees for Beijing subscribers using the "Easy Own" service package.** Subscribers to the service package will pay 10 yuan (US\$1.4) for 100 short messages or 15 yuan (US\$2.16) for 180 messages per month, including messages to China Unicom users. Customers who do not take this service package now pay 0.15 yuan (US\$0.02) to send a short message to China Mobile users and 0.20 yuan (US\$0.03) to China Unicom users. The "Easy Own" package payment plan is widely used, accounting for more than 70 percent of China Mobile's customers nationwide. There was no indication of a possible roll-out of the fee reduction outside Beijing.

## *Media, Entertainment and Gaming*

- **NetDragon Websoft, an online game developer and operator in China, plans to switch its listing to Hong Kong's main board from the growth enterprise market (GEM).** The company received in-principle approval from the listing committee of the stock exchange for the switch. It expects the company's shares to start trading on the main board from June 24, subject to shareholders' approval at a special meeting on June 12. The company made its GEM board debut in November last year.
- **NetDragon Websoft also announced that the company will be added to the Morgan Stanley Capital International (MSCI) China Index, effective as of the market close on May 30, 2008.** The company believes that this inclusion will further enhance its position in the international capital market.
- **Digital Music Holdings is hoping to ride on the restructuring of the country's telecommunications industry to boost its profitability.** A8 Digital Music promotes music from its own platform (www.a8.com), as well as from other record labels through the internet and the wireless networks of mobile operators. Most of its revenue comes from selling songs and music in the form of ring tones, ring-back tones and interactive voice responses to mobile-telephone users on the mainland.
- **Beijing Gehua CATV Network Co. Ltd. (BGCTV) announced that it will invest US\$17.03 million in a joint venture with two foreign companies to provide broadband access services to residents and business customers.** BGCTV will have a 51 percent stake in the joint venture, while the two foreign companies, Liberty Global Inc. (LGI) and PRC Venture Partners LLC, will hold the remaining 49 percent stake. The joint-venture agreement was reached based on a framework agreement signed by the three parties in October of last year. The joint venture will need a total

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investment of US\$100 million, of which the three parties will invest US\$33.4 million. The remaining funds will be raised through other methods.

## *Hardware*

- **Haier is considering buying the consumer electrical appliance business of General Electric (GE) and is in discussion with China Development Bank on acquisition financing.** The GE unit mainly covers manufacturing of electrical appliances such as refrigerators, bakers, and dish-washing machine. Haier has not yet contacted GE about the acquisition. The acquisition cost of the GE unit is estimated to reach US\$4 - 8 billion.

## *Software*

- **Sybase does not expect its China business to slow with IT spending remaining steady.** Sybase's major clients include China Mobile, Agriculture Bank of China, China Petroleum and Chemical Corp, Haier and the State Grid Corp of China. China Mobile last week awarded Sybase a project, for an undisclosed amount, to extend the mobile operator's international short-messaging service to 44 additional countries and over 130 operators. Sybase had first quarter global revenue growth of 13 pct year-on-year to US\$260.1 million.

## *Investments/ Ventures*

- **Dragon Capital Group, a holding company of emerging high-tech companies in China, reported that its unaudited consolidated revenue for the year ended December 31, 2007 was approximately US\$47.8 million, an increase of 13 percent from US\$42.3 million for 2006.** Gross profit on an unaudited basis for 2007 increased 53 to US\$4.6 million, compared with gross profit of US\$3.0 million for 2006. For the fourth quarter of 2007, the company's consolidated revenue was US\$14.3 million, an increase of 14 percent from US\$12.5 million for the comparable quarter in 2006 and a sequential improvement of 21 percent from US\$11.8 million for the third quarter of 2007.

## **Taiwan**

### *Technology*

- **Taiwan will hold the world's largest WiMAX expo, which will offer a golden opportunity for Taiwan to gain access to the global WiMAX market, estimated to surpass US\$10 billion by 2010.** WiMAX Expo Taipei, to be held June 2-6 at the Taipei World Trade Center Exhibition Hall 2, will feature 60 WiMAX manufacturers occupying 250 booths. To demonstrate their innovative telecommunication technology, the exhibitors will showcase the latest applications, mobile devices, components and testing equipment based upon WiMAX technology, which is the latest telecommunication technology providing wireless data over long distances in a variety of ways, from point-to-point links to full mobile cellular-type access.

### *Telecommunications*

- **Darfon Electronic Corp., a manufacturer of telecommunication components and precision devices, secured orders for IMR (in-mould rolling) notebook PC housings, which likely will contribute NT\$2-3 billion (US\$65.8-98.7 million) to corporate revenues this year.** Success of Eee PC, a low-priced laptop developed by Asustek Computer Inc. has attracted Acer Inc. and Hewlett-Packard Co. to venture into the field and spurred demand for IMR housings worldwide. As only a few housing suppliers, including Hon Hai Precision Industry Co., Ltd. and Benten International

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Ltd., are capable of mass production of the IMR housing in the world, Darfon is quite confident of carving out niches with such product.

- **The government is planning to sell a 7 percent stake in Chunghwa Telecom to help finance a NT\$120 billion (US\$3.9 billion) outlay that will be part of the revised budget for 2008, the Commercial Times reported.** In order not to adversely affect its share price at home, the government is inclined to sell Chunghwa Telecom shares overseas, a move expected to raise more than NT\$50 billion (US\$1.6 billion). Of the NT\$120 billion (US\$3.9 billion) outlay, some NT\$58.3 billion (US\$1.9 billion) will be used to support infrastructure projects of local governments to help stimulate domestic demand.

## *Hardware*

- **Asustek Computer recently unveiled its new P320 series PDA phone and aims to sell 20,000 units in Taiwan by the end of this year.** Asus this year plans to sell 200,000 handsets in the Asia-Pacific market, including 50,000 units in Taiwan, and expects to achieve 40 percent of the total in the first half of the year. The brand heavily focuses on promoting P320 PDA phone and has already doubled its single-month sale goal to 4,000 units in India from original 2,000 units due mainly to its increasing popularity in the market.

## *Semiconductor*

- **Taiwan Semiconductor Manufacturing (TSMC) is studying a possible hike in contract manufacturing prices of semiconductor chips.** The company is yet to make a final decision on the magnitude and timing of any price adjustment. TSMC is of the view that a broad price hike is warranted even as it expects the semiconductor industry to continue to be characterized by Moore's Law. He was referring to an observation initiated by Intel co-founder Gordon Moore that the volume of transistors that can be inexpensively squeezed into an integrated circuit will double approximately every two years.
- **Chips designed by MediaTek have been adopted by fashion house Christian Dior for a US\$5,000 mobile phone meant for the Russian and Chinese markets.** Designed and assembled by the ModeLabs Group, the 'My Dior' handset was launched on May 21, 2008.

## **Hong Kong**

### *Internet*

- **E-Mice Solutions wants to boost the government's loss-making online identification platform by allowing parents to use it to monitor their children's performance at school.** The operator plans to bundle intranet networks used by schools for attendance and parent-school communication to allow parents to check their child's progress. The Hong Kong-based information technology firm secured an exclusive contract to operate e-Cert for four years last year, but is concerned the service is not attracting enough users. Extending it to the schoolyard may boost its popularity. E-Cert was developed by Hong Kong Post in 2000 and was the first publicly recognized certification authority under the Electronic Transactions Ordinance.

### *Telecommunications*

- **PCCW Ltd. will announce an overseas project in several weeks. PCCW joins regional rivals Singapore Telecommunications Ltd. and Chunghwa Telecom Co. in expanding overseas to**

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**boost domestic earnings.** Competition in its home market, where there are more fixed-line connections than households, may intensify this year as new licenses are issued. PCCW and Mawarid Group partnered to win a license to provide fixed-line phone and broadband Internet services in Saudi Arabia in February.

- **PCCW Ltd said it will reorganize its telecom and media businesses under a new holding company, HKT Group Holdings, of which it may sell up to 45 percent.** The restructuring is aimed at improving operational efficiency and reducing the tax rate. PCCW issued a statement that the reorganization will consolidate all components of its 'quadruple-play' offering -- fixed-line, mobile, broadband and internet TV services in a transparent and easily understood corporate structure that would facilitate a listing for the new holding firm. It invites proposals from investors for acquisition of up to 45 percent stake HKT Group.
- **CSL has warned PCCW that it faces legal action after the fixed-line giant charged a 25 percent connection fee increase on mobile operators.** This move was cited as an unfair bid to squeeze the industry as its monopoly comes to an end. CSL chief executive Tarek Robbiati claims PCCW's decision to increase the fee from HK4.36-5.45 cents (US\$0.6-0.7) a minute without consulting the industry is a form of economic abuse. Robbiati warned the move will force operators will be forced to pass on costs to consumers and slash jobs.

## *Hardware*

- **Lenovo said that strong demand for PCs in emerging markets and growing sales of notebooks would protect its business from an uncertain outlook in the U.S.** The Chinese PC vendor also said it was hunting for possible acquisitions, following its purchase of IBM's PC unit three years ago and a failed attempt to buy Europe's Packard Bell last year. However, it was not in talks with any potential target companies. Lenovo's revenue has jumped five times since the IBM acquisition while net profits have more than tripled.

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

### *Telecommunications*

- **Bharti Airtel ended the talks after MTN presented a new structure in which Bharti Airtel would become a subsidiary of the South African company.** Chairman Sunil Mittal and Singapore Telecommunications Ltd. would have had to exchange their majority stake in Bharti Airtel for a controlling stake in MTN, according to the structure. Bharti is valued at US\$38.4 billion. The end of the talks is positive for Bharti's share price as this lifts the cloud of uncertainty that was hanging over it. From a long-term perspective, it is negative because Bharti would have benefited from the expansion in its operations.
- **PT Telekomunikasi Indonesia (Telkom) is planning to allocate US\$2.5 billion for consolidated capital expenditure this year, up from US\$2 billion last year.** Telkom subsidiary PT Telekomunikasi Selular (Telkomsel) is expected to allocate between US\$1.5 billion and US\$1.7 billion for its infrastructure network expansion. Telkom will allocate US\$800 million for capital expenditure this year. He said about 30 percent to 40 percent of the capex requirement will be financed by bond sales or bank loans, and the remainder will come from internal cash.
- **PT Telekom posted a net profit of 3.2 trillion rupiah (US\$344 million) in the first quarter of this year, up 5.4 percent year-on-year.** The company booked sales of 15 trillion rupiah (US\$1.6

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billion) in the first quarter, 8.5 percent year-on-year. EBITDA raised by 6.2 percent to 9.34 trillion rupiah (US\$1 billion) while operating profit increased 6 percent to 6.54 trillion rupiah (US\$703 million). Telkom also said its full-year net profit in 2007 rose by 16.8 percent to 12.86 trillion rupiah (US\$1.4 billion), while full-year sales reached 59.44 trillion rupiah (US\$6.4 billion), up 15.9 percent year-on-year. Revenue from its mobile business reached 5.97 trillion rupiah (US\$641.8 million) in the quarter, up from 5.58 trillion rupiah (US\$600 million) a year earlier, boosted by a 283 percent rise in minutes of usage and a 32 percent growth in its subscriber base. The number of fixed-line subscribers fell by 0.5 percent to 8.66 million, while fixed-wireless subscribers surged by 46.2 percent to 6.72 million.

- **PT Indosat Tbk has introduced access to the HSPA (High Speed Packet Access), namely Phase 2 HSDPA and HSUPA for a downlink speed of up to 14.4 Mbps, and an uplink speed of up to 1.4 Mbps.** The 3.5G Broadband service of Indosat which previously used access to HSDPA gives a downlink maximum speed of 3.6 Mbps, and uplink speed of 384 kbps, which were later increased to HSPA for downlink to 14.4 Mbps and uplink to 1.4 Mbps, which is the fastest access for broadband mobile in Indonesia at the present time.
- **PLDT will launch a US\$550 million Asia-America fiber cable network.** Called the Asia-America Gateway (AAG), the 20,000-kilometer facility will connect the Philippines, Malaysia, Singapore, Thailand, Brunei Darussalam, Vietnam, Hong Kong, Guam, Hawaii and the U.S. West Coast. AAG will provide a welcome boost to BPOs (business process outsourcing firms), call centers and other growth industries that depend on advanced telecommunications services and thus further propel the country's economic growth.
- **A consumer group in the Philippines threw its support Saturday night behind a bid by some lawmakers to remove charges in text messaging.** TXTPower also battled for a refund of all the "illegal" charges leveled on consumers, including the value-added tax (VAT) that it said was "illegally levied" on text messages. The group also urged the National Telecommunications Commission (NTC) and the Bureau of Internal Revenue (BIR) to find out how much the telecommunications firms and the government owes the consumers. Both agencies should also find out soonest the quickest and most fair way of undertaking a refund.
- **iFORTE, a service provider and IT integrator in Indonesia, and Firetide, a provider of wireless mesh and access networks, said the Jakarta business district can now take advantage of iFORTE's M-WIFO (Mobility-WiFi Fiber Optic) service.** Extending the reach of the fiber backbone installed by iFORTE along the dedicated bus lines of the TransJakarta transit system, the Firetide mesh and access wireless network cost-effectively brings broadband connectivity to thousands of businesses and residents along the bus line corridor. Similar in approach to the recently revived Wireless Silicon Valley project, the groups noted, the deployment uses an enterprise-focused business model to deliver Internet access to business customers and residential complexes through a combination of fiber and wireless connectivity.
- **Pilipino Telephone Corporation (Piltel), a subsidiary of PLDT, remains bullish on the market despite the current crisis.** This, after Napoleon Nazareno, Piltel president projected the company's core net income to reach more than 8.5-9.5 billion pesos (US\$195-218 million) by end of 2008, higher than the 8.5 billion pesos (US\$195 million) it posted last year. Piltel posted a net income of 2.5 billion pesos (US\$57.3 million), a 24 percent increase compared to the 1.99 billion pesos (US\$45.8 million) in the same period last year. Nazareno, however, admitted that they remain careful on the company's outlook for this year due to rising inflation. The country's inflation rate rose 8.3 percent, the highest



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since May 2005 due to high food and oil prices. But Nazareno disclosed that so far the company has not seen any negative impact in terms of the purchasing power as a result of the higher inflation.

- **Telekomunikasi Indonesia is ready to buy back Singtel's 36 percent stake in Telkomsel.** Telkom was now still controlling 65 percent of Telkomsel shares with 35 percent held by Singtel which was a subsidiary of Temasek which had no controlling rights over Telkomsel. Telkom also wished to buy back the public's stake in Telkom worth 10 trillion rupees (US\$234.8 billion) while Telkom's own shares totaled 225 trillion rupees (US\$5.3 trillion). So far, Telkom had already bought back 5 trillion rupees (US\$117.4 billion) of the public's stake.

## United States/Canada

### *Mobile/Wireless*

- **Garmin Ltd. will sell its first mobile phone next month.** The handset, called nuvifone, includes satellite-navigation functionality and will challenge Apple Inc.'s iPhone and High Tech Computer Corp.'s Diamond in the market for touch-screen phones. Nuvifone will be sold through AT&T in the U.S. in the second half of the year. Garmin, the largest U.S. maker of car-navigation devices, said in January nuvifone will be available in the third quarter.
- **Research in Motion's BlackBerry increased its share of the U.S. smartphone market in the first quarter while Apple's iPhone lost ground.** Rim's share of the U.S. market for advanced phones with computer like features such as e-mail rose to 44.5 percent in the first quarter from 35.1 percent in the fourth quarter while iPhone's share fell to 19.2 percent from 26.7 percent in the fourth quarter. Motorola also saw its sales dwindle to 2.6 percent of the market for smartphones from 7.5 percent in the fourth quarter.

### *Media, Entertainment and Gaming*

- **Liberty Media Corp. may emerge as a buyer for Time Warner Inc.'s AOL Internet-access business, said Citigroup Global Markets Inc.** Buying AOL's shrinking access business, which is losing customers to high-speed services from phone and cable companies, may add as much as US\$4.17 to each share of Liberty Capital tracking stock. A deal would solve problems for both companies. Liberty, controlled by billionaire John Malone, 67, would be able to unload some or all of its US\$1.6 billion worth of Time Warner shares as part of the deal, without paying capital gains taxes.

### *Telecommunications*

- **Canada's highest court agreed to expedite BCE Inc.'s appeal of a Quebec court ruling that blocked the Canadian phone company's record C\$52 billion (US\$52 billion) leveraged buyout.** The Supreme Court of Canada today gave the two sides until May 30 to file the application for a hearing and responses. If it agrees to grant the hearing, the court suggested a June 17 date in Ottawa. The ruling indicates the judges consider the matter of "national importance," one of the criteria they use to determine whether they'll hear a case. BCE shares may rebound on expectations the court may agree to hear BCE's appeal.
- **The U.S. Air Force has awarded a US\$982,414 contract to Time Warner Telecom, Littleton, Colo., for local exchange services for Wright Patterson Air Force Base.** The contract was awarded by the Air Force Materiel Command's Oklahoma City Air Logistics Center, Tinker Air Force Base, Okla.

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## *Internet*

- **Yahoo postponed its showdown with Carl Icahn, the billionaire investor seeking to oust its board and sell the company to Microsoft.** The internet company said it was putting off its annual meeting roughly until the end of July for regulatory reasons. In the immediate aftermath of Microsoft abandoning its \$44.6 billion takeover bid on May 3, Yahoo announced its annual meeting would be held on July 3. Mr. Icahn's move last week to nominate an alternative slate of 10 directors in a proxy fight would mean a Securities and Exchange Commission review. The meeting would therefore be postponed until SEC review and clearance, with the date of the meeting now expected to be around the end of July.
- **The messaging may be instant but revenues have been a long time coming for Silicon Valley start-up Meebo.** Its founders, Sandy Jen, Seth Sternberg and Elaine Wherry, set out to create access to instant-messaging services from any browser, without the need to download client software. Meebo has 30 million users a month sending 5 billion messages and has gone through three funding rounds. The latest, US\$25 million raised last month, gave it a US\$200 million valuation. Hiring of a head of advertising sales shows the company is moving into its next phase.
- **Facebook Inc. Chief Executive Officer Mark Zuckerberg has no plans to sell the social-networking site, even if Microsoft Corp. offered US\$15 billion.** Facebook conducted at least three rounds of fund raising in the past year to expand overseas and handle more Web traffic. The Palo Alto, California-based company borrowed US\$100 million earlier this month after visitors to its Web site tripled. Facebook, the second most popular social-networking service, is closing in on market leader MySpace, owned by News Corp. Microsoft bought a 1.6 percent stake in Facebook for US\$240 million in October, valuing the business at US\$15 billion.
- **Yahoo also is in talks with Google to allow that company to sell ads alongside some of its Internet search results.** The companies could arrange an outsourcing agreement that would pass U.S. Justice Department antitrust scrutiny. Google charges advertisers about 70 percent more per Internet search than Yahoo, according to Yahoo, citing data from last year. Google outsold Microsoft in Internet ads by a margin of 7-to-1 in Microsoft's latest fiscal year. The online advertising market may almost double by 2010. The company announced a plan last week to give users cash back when they shop online with its Live.com search engine.

## *Software*

- **IBM is about to give its Rational software development platform a social networking injection.** The company's new hub for collaborative development, Rational Team Concert, is due by the end of this month. Rational Team Concert attempts to let all participants in the development process not just developers collaborate. When a developer sits down to work, for example, he will see which other project members are logged in, regardless of their location. Developers, project managers, testers, compliance managers, and other team members can use instant messaging to communicate in real time.
- **Microsoft said it's investigating reports of a blended threat that allows remote code execution on all supported versions of Windows XP and Windows Vista when Apple's Safari Web browser has been installed.** An attacker could exploit the vulnerability by tricking a user into visiting a maliciously crafted Web site, which would initiate the download of malware without requiring the victim to take additional actions. Safari is not installed with Windows XP or Windows Vista by default: It must be installed independently or through the Apple Software Update application.



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- **Barracuda Networks Inc. Chief Executive Officer Dean Drako said he's still hopeful to consummate a deal with Sourcefire Inc., which rejected his company's US\$187 million unsolicited acquisition offer.** Sourcefire, the maker of security products for computer networks, carefully reviewed the proposal and found it substantially undervalues the company. Barracuda offered US\$7.50 a share in a letter to Sourcefire's board on May 27, a 13 percent premium to the closing price May 23, closely held Campbell.

## *Hardware*

- **Hewlett-Packard Co. paid an undisclosed sum to settle a case filed by journalists over claims their privacy was invaded by a company investigation that relied on detectives posing as reporters to obtain phone records.** Chairwoman Patricia Dunn was fired in September 2006 for approving boardroom spying, which spurred a national debate over identity theft.
- **Dell reported its first-quarter profits, with revenue of US\$16 billion, a 9 percent improvement from a year ago, and earnings of 38 cents per share, a 12 percent increase.** Analysts were expecting earnings of 34 cents per share and revenue of US\$15.4 billion to US\$16.2 billion. In after-hours trading, shares of Dell were up 7.5 percent. Following a turbulent 2007, results were a more encouraging beginning for this year. The company is beginning to see positive results in its performance. While the industry grew 14 percent in unit shipments, Dell was able to grow 22 percent. Cost reduction was one of the company's main goals in the past year. Dell reduced its headcount by 3,700 people during the quarter, many in its consumer products divisions and in international sales, for a total of 7,000 in the past year.
- **3Com Corp. investors dropped a lawsuit seeking more cash in a US\$2.2 billion bid for the money-losing networking-equipment maker two months after Bain Capital Partners LLC and Huawei Technologies Co. withdrew their offer.** Shareholders sued 3Com in September contending the offer of US\$5.30 a share was grossly inadequate. The stock has been trading at about US\$2.50 a share this week. Delaware Chancery Court Judge Stephen Lamb signed the dismissal order. Investors tentatively agreed to settle the lawsuit in February through mailing of a proxy supplement in anticipation of the shareholder vote. Bain walked away in March and shareholders voted in favor of the deal so 3Com could seek a US\$66 million breakup fee from Bain and Huawei.

## **Europe**

### *Media, Entertainment and Gaming*

- **The Disney Channel, which has launched franchises from Hannah Montana to Camp Rock, will be available free-to-air for the first time under an experiment in Spain that could herald a new business model for the Walt Disney property.** Disney has attributed much of the rapid international growth of its core television franchise to an earlier decision to turn it from a premium channel into part of basic cable and satellite subscription services across Europe, expanding its reach. The decision to go a step further in Spain reflects the rapid growth of digital terrestrial television (DTT) in the market, which is expected to complete its switchover from analogue to digital broadcast signals by 2010, two years ahead of some other large European markets such as the UK.

### *Information Technology*

- **Wal-Mart has begun rolling out a global information technology system in a break with its traditional reliance on the home-grown IT that underpinned its rapid expansion in the US.** The company selected Germany's SAP software over competition from Oracle last October. It has

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stepped up hiring in its IT department, with an accompanying increase in corporate costs, as it starts to implement the changes. Efficiency of the home grown system has not kept pace with the corporation's growth. Rising IT costs contributed to a 20 percent increase in Wal-Mart's corporate expenses in the first quarter of this year.

## *Telecommunications*

- **Telefonica raised 1.25 billion euros (US\$1.9 billion) this week in its biggest bond sale in more than a year.** Sales soared 53 percent above the monthly average of 56 billion euros (US\$87 billion) for the 12 months, though the total slowed from 99.9 billion euros (US\$155 billion) in April.
- **BT Group Plc's Openreach unit, which sells wholesale access to the network of Britain's largest phone company, may be allowed to raise prices following a regulatory review taking into account inflation and other costs.** The review will cover wholesale line rental, used by providers to offer phone services to consumers over the BT network, and also so-called local loop unbundling, which allows rivals to install equipment in BT's telephone exchanges to offer their own services including broadband access.

## *Mobile/ Wireless*

- **Vodafone Group Chief Executive Officer Arun Sarin will step down and be replaced by his deputy Vittorio Colao after steering the mobile-phone company to a record profit.** Sarin, 53, will leave in July, Newbury, England-based Vodafone said in a statement. Vodafone posted a full-year profit of 6.7 billion pounds (US\$13.2 billion) compared with a loss of 5.43 billion pounds (US\$10.7 billion) a year earlier. Sarin used acquisitions in emerging markets in the past two years, including in Turkey and India, the fastest-growing major wireless market, to help make up for slower growth in Europe.

## *Semiconductor*

- **Infineon Technologies AG announced that Chief Executive Officer Wolfgang Ziebart has resigned and that the company has a plan to increase margins.** Ziebart, 58, will step down on June 1 because of "different opinions on the future strategic orientation" of the company. Peter Bauer, an executive board member, will take over Ziebart's role as spokesman for the management board. Infineon said it plans to boost margins by reducing manufacturing costs. Infineon, based in Neubiberg near Munich, has lost money for the past three years and last month reported its biggest quarterly loss since its initial public offering eight years ago.
- **Infineon Technologies AG cut its forecast for profit and sales from communications chips because of fewer-than- anticipated orders and a delayed Nokia Oyj contract.** Infineon said that revenue from the communications unit in the third quarter ending June 30 will be unchanged and the loss before interest, taxes and one-time items will be wider than forecast earlier. Lower sales from certain wireless platform projects and higher expenses are expected to hurt profit.

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## Other Economic Data

### Currency Exchange Rates

Currency	Units	Current Rate (on 5/30/08)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
Japanese yen	¥/US\$	105.5000	2.1%	1.5%	-6.3%	-11.4%
Hong Kong dollar	HK\$/ US\$	7.8035	0.02%	0.1%	-0.02%	0.3%
Chinese renmenbi	RMB/ US\$	6.9400	-0.02%	-0.7%	-5.0%	-11.1%
Singapore dollar	S\$/ US\$	1.3619	0.3%	0.5%	-5.8%	-11.4%
South Korean won	KRW/ US\$	1,028.0000	-1.7%	2.5%	9.9%	10.5%
New Taiwan dollar	NT\$/ US\$	30.4050	-0.3%	-0.1%	-6.4%	-6.7%
Australian dollar	US\$/A\$	0.9557	-0.4%	1.4%	9.3%	21.2%
New Zealand dollar	US\$/NZ\$	0.7825	-0.4%	0.2%	1.1%	11.2%
Philippine peso	PHP/ US\$	43.4100	0.1%	2.9%	5.4%	-11.4%
Euro	US\$/€	1.5552	-1.3%	-0.4%	5.7%	17.8%
British pound	US\$/£	1.9823	0.1%	-0.2%	-0.5%	1.2%

### Fixed Income Prices and Yields

Note	Currency	Current (on 5/30/08)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	94.76	4.70%	96.84	4.57%	96.95	4.56%
Japan 30-year	¥	100.09	2.50%	98.94	2.56%	100.08	2.50%
Hong Kong 10-year	HK\$	102.40	3.25%	104.85	2.96%	107.13	2.69%
China (06/16)	US\$	110.71	3.17%	110.71	3.17%	99.98	4.69%
Singapore 10-year	S\$	103.67	3.57%	107.97	2.67%	109.95	2.42%
South Korea 20-year	KRW	9,923.06	5.67%	9,982.75	5.61%	10,458.63	5.20%
Australia 15-year	A\$	93.23	6.53%	93.41	6.51%	95.48	6.26%
New Zealand (12/17)	NZ\$	96.38	6.52%	95.86	6.59%	96.49	6.50%
Philippines 20-year	PHP	86.63	10.21%	87.70	10.06%	93.51	9.32%
India 30-year	INR	98.61	8.46%	98.72	8.45%	99.61	8.37%
UK 30-year	£	102.30	4.61%	103.21	4.55%	104.73	4.46%
Germany 30-year	€	87.51	4.81%	89.14	4.70%	89.86	4.65%

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