

IRG WMR



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

Week of 15 September - 21 September, 2008

ideas | reach | growth

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Equity Market Indicators					
Index	Closing Level (9/19/2008)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
S&P 500	1,255.08	0.3%	-2.2%	-14.5%	-11.5%
Dow Jones Industrial Avg.	11,388.44	-0.3%	-1.3%	-14.1%	-8.6%
Dow Jones Tech. Index	362.77	-1.0%	-8.3%	-21.0%	-12.1%
Dow Jones Telecom. Index	233.40	-0.8%	-5.1%	-25.5%	-10.3%
NASDAQ Composite	2,273.90	0.6%	-4.0%	-14.3%	-5.9%
The Street.com Net	252.34	0.6%	-4.2%	-10.4%	2.0%
Japan Nikkei 225	11,920.86	-2.4%	-8.8%	-22.1%	-30.8%
JASDAQ	52.93	-4.8%	-8.8%	-26.7%	-38.6%
Japan Mothers	447.79	2.4%	-3.7%	-42.8%	-59.7%
Korea KOSPI Composite	1,455.78	-1.5%	-1.3%	-23.3%	1.5%
Korea Kosdaq	446.46	-4.4%	-5.1%	-36.6%	-26.3%
Taiwan Stock Exchange	5,970.38	-5.4%	-15.3%	-29.8%	-23.7%
Singapore Straight Times	2,559.07	-0.5%	-6.6%	-26.2%	-14.3%
Hong Kong Hang Seng	19,327.73	-0.1%	-9.1%	-30.5%	-3.2%
Hong Kong GEM	564.23	-9.4%	-18.3%	-58.2%	-53.9%
China Shanghai (A-Share)	2,179.11	-0.2%	-13.4%	-60.5%	-22.6%
China Shenzhen (A-Share)	625.34	3.1%	-9.4%	-58.9%	9.8%
China Shanghai (B-Share)	121.60	-10.1%	-19.9%	-66.8%	-6.6%
China Shenzhen (B-Share)	311.68	-4.6%	-18.9%	-56.1%	-28.1%

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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

Telecommunications

- **The worldwide telecommunications market is on track to see its revenue rise 7.6 percent to US\$2.0 trillion in 2008 despite slower growth in the fixed-line market and developed countries.** The portion of telecom spending on services will shrink as the telecom equipment sector gains a bigger piece of the pie. Telecom services revenue has accounted for 80 percent of the money spent in the telecom market. The firm sees revenue in the service segment at US\$1.6 trillion in 2008, making up 81 percent of total telecom revenue and 7.3 percent higher than a year earlier. Compound annual growth through 2012 in the service sector is projected to be 4.4 percent, compared to 8.7 percent for the equipment segment. The ratio of mobile phones to fixed lines will be higher than 4:1.

Japan

Mobile/ Wireless

- **Nokia Corp.'s luxury cellular phone brand, Vertu, unveiled a handset to be introduced in Japan as soon as this year.** The handcrafted phone, made in England, will likely sell for between 890,000 yen (US\$8,296) and 5 million yen (US\$46,611). It is expected to be configured for either the NTT DoCoMo's or Softbank Mobile's cell phone services. The handset is fashioned from gold, platinum and other precious metals and boasts a crystal sapphire face. The preset ring tones are provided by the London Symphony Orchestra. Vertu is to open its first Japanese store in Tokyo's swanky Ginza district in December, and plans to set up shop elsewhere in the nation beginning next year. The Nokia unit could also sell its handsets in luxury watch shops and department stores.

Media, Gaming, and Entertainment

- **In a move to bolster its domestic game business, the Japanese subsidiary of Walt Disney Co. will combine its Internet and packaged-software divisions next month.** Bringing these two organizations together is aimed at hastening development of products and services that can be enjoyed on a variety of platforms, including game consoles, mobile phones and personal computers. The firm's strategy is to penetrate the game market with the Disney brand, making it a mainstay alongside movies and theme parks. Plans include creating new online communities by attracting fans via games. For example, Disney Japan will launch a service that tracks a user's history when playing Nintendo Co.'s Nintendo DS hand-held, awarding unique items.

Hardware

- **Hitachi Ltd. will buy plasma TV parts from Panasonic-maker Matsushita Electric Industrial Co., as the firms pool resources in a flat TV market dominated by LCD technology.** Matsushita and Hitachi have lost market share and face intensifying price competition from liquid crystal display makers Sharp, Samsung Electronics and LG Electronics. Hitachi, which is aiming to turn around its loss-making flat TV business, will buy fabricated glass panels and other TV parts such as modules from Matsushita, as its bigger rival makes them more cheaply. Matsushita secures a customer amid plans to build a new domestic plasma panel and TV plant next year. Hitachi will book a 40 billion yen (US\$372.9 million) impairment loss on its existing glass panel facilities. Hitachi would continue to make

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the circuit boards that dictate a television set's brightness and color depth at its own unit, Hitachi Plasma Display Ltd.

- **Microsoft Corp.'s Xbox 360 has scored the title of the top-selling home video game console in Japan.** Sales of the Xbox 360 in that seven-day period came to 28,681 units, compared with 27,057 units for Nintendo Co.'s Wii and 8,050 units for the Sony group's PlayStation 3. The Xbox 360's rise to the top likely stemmed from its September 11 price cuts of up to roughly 30 percent for various models, as well as the release of a role-playing game for the Xbox 360 by Square Enix Co.
- **Canon Inc. would spend up to US\$479 million to buy back its own shares, which have lost a quarter of their value over the past month to a three-year low.** Canon's stock has tumbled sharply since rival Ricoh would buy U.S. distributor Ikon Office Solutions raising concerns that Canon would lose a key distributor and market share in the U.S. market. Canon's stock has also been hit by worries that a slowing global economy would cut into demand for its products, which also include printers, copiers and equipment used in the production of semiconductors and flat panel displays. Canon would buy back up to 14.5 million of its own shares, or up to 50 billion yen (US\$479 million) worth, from Sept. 17 to Oct. 20. The buyback is equal to about 1.1 percent of its total shares outstanding.

Semiconductors

- **Orders for Japanese equipment used to make semiconductors fell 47.7 percent in August from the same month last year as chip makers reined in spending.** It was the 18th straight month of year-on-year declines amid a glut of memory chip supply. Orders in August came to 72.4 billion yen (US\$674.9 million), down 47.7 percent from the previous year. The book-to-bill ratio was 1.07 in August, as orders outpaced sales for the second straight month. The ratio means new orders worth 107 yen (US\$1.00) were received for every 100 yen (US\$0.93) of products delivered in June to August. Based on the preliminary report, which gives three-month moving averages of orders and sales, sales in August came to 71.4 billion yen (US\$664.3 million), down 59.2 percent from the previous year.
- **Mitsubishi Chemical intends to reenter the manufacturing of semiconductor materials, from which it largely withdrew in 2000, with the aim of accelerating the development of two of its next-generation businesses while shoring up expertise in semiconductor materials.** The two businesses are materials for light-emitting diodes based on gallium nitride substrates for use in advanced electronic displays, and other semiconductor materials for application in organic thin-film solar cells, which are expected to rely heavily on semiconductor technologies for their commercialization. To help develop new types of semiconductor materials and establish its presence in the semiconductor industry, the company has joined the Consortium for Advanced Semiconductor Materials and Related Technologies, or CASMAT, an industry group seeking to strengthen the global competitiveness of Japanese makers of semiconductor materials.
- **NEC Electronics Corp. and Germany's Elmos Semiconductor AG plan to jointly develop and manufacture semiconductor products for automotive and industrial markets.** The companies aim to combine NEC Electronics' strength in microcontrollers with Elmos' expertise in analog chip technologies. Chip makers are increasingly joining forces to shrink chips and boost performance at lower costs. The partnership with Elmos follows NEC Electronics' announcement last week that it would team up with IBM and others on next-generation microchips.
- **The head of Toshiba's semiconductor business said the flash memory maker was interested in a bid for partner SanDisk to prevent a takeover by rival Samsung.** South Korea's Samsung Electronics said earlier this month that it may buy SanDisk Corp., in a move that could frustrate catch-

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up plans by Toshiba to nearly double its chip production capacity in partnership with SanDisk. Samsung, Toshiba and other chip makers are racing to boost output and lower per-chip costs even as weak prices of flash memory, used in digital cameras, mobile phones and music players, hurt revenue and their appetite to invest. Acquiring SanDisk, known for its memory storage cards, could help Samsung cut licensing fees it pays out and help it expand its market share at the expense of Toshiba.

Korea

Internet

- **Google Inc. has acquired Korean blogging software company Tatter and Company (TNC) in a push to expand into a market where Google has been a relatively small player.** The deal would boost Google's market share in Korea, where portals like Yahoo Inc. are very popular. TNC would try to introduce its blogging platform, known as Textcube, outside Korea. Google already owns a blogging software service, called Blogger. But it's a minor player in the Korean market, where blogging is a popular pastime.

Media, Gaming and Entertainment

- **South Korea will allow conglomerates, newspaper companies and foreigners to invest more in the local broadcasting industry by easing ownership-related regulations.** The measure is part of a set of deregulation moves designed to boost the nation's service sector and enhance the overall corporate environment. They were announced after government and private-sector leaders held discussions at the presidential office earlier in the day. Companies with assets exceeding 3 trillion won (US\$2.6 billion) are banned from owning stakes in major ground-based broadcasters such as MBC, KBS and SBS. Daily newspapers and wire companies are only able to purchase up to 33 percent stakes in satellite broadcasting firms. The Finance Ministry will allow conglomerates with assets exceeding 10 trillion won (US\$9 billion) to purchase up to 49 percent stakes in ground-based broadcasters. A ban on those large companies' ownership on satellite service providers will be totally lifted.
- **Game Power 7 is pursuing the Korean gaming developers through its active participation in the upcoming KOGIA (Korean Game Industry Agency) seminar.** A government organization that supports and promotes gaming companies in Korea, KOGIA is organizing a professional seminar to introduce these companies about the Middle East and North Africa market. The presentation aims at educating Korean game companies about the social, economic, and technological aspects of the MENA region, highlighting the opportunities for publishing their online games in the region, and the challenges they might face.

Hardware

- **Samsung Electronics Co. plans to raise its spending by 44 percent on sourcing LCD panels from Taiwanese makers as it adjusts upward its annual global sales projection for LCD (liquid crystal display) TVs to 23 million units from 21 million units.** These Taiwanese makers include AU Optronics, Chi Mei Optoelectronics and Chunghwa Picture Tubes. Global sales of LCD TVs are estimated at 100 million this year, with Samsung to command a share of over 20 percent as the leading brand in the market. At the moment, over 40 percent of Samsung's needed display panels are farmed out to contract suppliers, while the rest is supplied by its subsidiary S-LCD. With consumer demand for LCD TVs to heat up in the second half of the year, Samsung has decided to increase its purchases of LCD panels from Taiwan by 44 percent to US\$8.1 billion this year from US\$5.6 billion last year. This will make Taiwan Samsung's biggest sourcing base of display panels in the world by procurement value.

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- **Samsung SDI has developed a next-generation sports car battery that can be used in battery-operated vehicles driven at high speeds for up to 400 kilometers.** The lithium-ion battery can power a car at speeds up to 200 kilometers per hour after being charged for three hours, said the digital mobile, display and advanced energy company. Samsung SDI has taken firm steps to enter the next-generation energy development market with a 50-50 venture with global automotive company Bosch. The joint company that was launched on Sept. 1, 2008 has been named SB LiMotive and aims to produce efficient, commercially viable lithium-ion batteries for sale by 2011. The company will also open two new battery cell factories to churn out reusable power packs early next year in Cheonan, a city 92 kilometers south of Seoul.

Alternative Energy

- **LG Electronics Inc. signed a preliminary deal on a solar cell production venture with German's Conergy, a first foray in its goal to become a global player in the solar industry.** LG aimed to make a joint investment into Conergy's solar cell unit, and was planning to sign a formal deal after two to three months of negotiations and due diligence. LG would acquire a 75 percent stake in Conergy's solar module plant in Frankfurt (Oder), with Conergy retaining 25 percent. The plant is currently in the ramp-up phase. LG was interested in acquiring Conergy's solar cell unit for a price tag of at least 200 billion won (US\$177.7 million). LG and larger home rival Samsung Electronics have consistently shunned external acquisitions in favor of organic growth. LG's last foreign acquisition was that of U.S.-based electronics maker Zenith in 1995.

Semiconductors

- **Hynix Semiconductor Inc. would stop production at two of its older and less efficient lines, a move to cut losses and control supply to fight an industry downturn.** With the decision, Hynix is retiring four of its five production lines using 8-inch silicon wafers, speeding up the ongoing transition to more profitable 12-inch wafers. As the memory chip industry suffers an extended slump from sharp price falls and sluggish demand, makers are slashing output and retiring older, loss-making facilities. The memory market remains weak in the second half with a normal seasonal boost evaporating as a worldwide downturn hits demand for personal computers and consumer electronics. DRAM prices were seen falling 40 percent this year and NAND prices are expected to drop by a half. The planned shut-downs will reduce its chip output in wafer terms by 30 percent by early next year.

Telecommunications

- **KT Corp would invest US\$1.5 billion in the Internet Protocol TV (IPTV) business by 2012 and expected a break-even as early as 2011.** KT is offering a trial of full IPTV service, including real-time TV programme transmission. A commercial service will start as early as in October. Telecom operators in mature markets such as KT hope IPTV, which provides TV programmes and other interactive services such as e-commerce via broadband, will create new revenue sources. South Korea in December passed a law allowing full IPTV service including real-time TV, after a long debate among broadcasters, telecom operators and authorities. So far KT has provided only video-on-demand and some interactive features through its Internet-powered MegaTV.

China

Mobile/ Wireless

- **Mobile phone sales in China down 14.6 percent in Q208.** Around 36 million mobile phones were sold in the domestic market in April - June, dropping 14.6 percent from the January - March period.

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Sales volume of GSM mobile phones fell 13.4 percent quarter on quarter to 34 million sets and that of CDMA cellphones slumped 30.9 percent to 2 million sets. Earthquakes, telecom industry reshuffling, and withered overall demand caused the decline in sales in the second quarter. Overseas mobile phone markers, Nokia, Samsung, and Motorola, respectively ranked the top three positions in the Chinese mobile terminal market with shares of 38.6 percent, 17.7 percent, and 9.7 percent.

- **KongZhong Corp. has appointed Chen Xiaoxin as a new board director.** Chen will also work as an independent director and in the board's audit committee. He takes the place of Zhang Hui, who resigned from the board, and will serve Zhang's remaining term ending 2010. Before joining KongZhong, Chen was a managing partner of Zeniphs China Capital since the end of 2007. Prior to that, he worked for Oak Pacific Interactive (OPI) as the CFO.

Telecommunications/ Information Technology

- **China Unicom Ltd. doesn't expect the sale of its Code Division Multiple Access (CDMA) operations to China Telecom Corp. to be affected by the collapse of Lehman Brothers Holdings Inc., which is advising on the sale, as the deal is almost done.** The company's minority shareholders approved the merger with fixed-line carrier China Netcom Group Corp. (Hong Kong) Ltd., as part of the restructuring of China's telecommunications industry. The company hasn't held talks with Telefonica SA on the plan by Spain's dominant telecommunications operator to raise its stake in the new company to be formed from the merger of China Unicom and China Netcom.
- **China Mobile notified its partners lately that the first nine cell phone games offered by them had gone through public trial run, three of which had started operation on September 10, 2008.** Six games are scheduled to come into service before September 25, 2008. China Mobile has been building up a new cyber game platform since the first half of 2007. The platform was officially kicked off this June. Insiders in the know say that China Mobile has a strict requirement on these games in online time, registered users, and profitability. These games that have gone through public trial run are provided by top-ranking game developers. As the biggest mobile telecom carrier in this country, China Mobile hopes that its cell phone game sector will be in peace with cyber games. However, there is great possibility for the cyber game platform to merge the cell phone sector in the future.
- **The core network in the second round of TD-SCDMA network construction of China Mobile Communications Corporation (CMCC) is expected to be put into use by next June if the construction goes on smoothly.** The total investment for construction of the second phase of the TD network will exceed 30 billion yuan (US\$4.4 billion). CMCC recently requested its subsidiaries in the ten cities where TD network has been constructed to expand the number of subscribers of TD cellular services to 400,000 by the end of this year. Upon completion of the second phase of the TD network, CMCC will launch 3G services in 38 cities.
- **Telefonica SA reported a 9.9 percent stake in China Netcom Group Corp. (Hong Kong) Ltd.** Telefonica has beneficial ownership of about 663.2 million China Netcome shares. Telefonica seeks to become the leading private shareholder of the new company resulting from the merger between China Netcom and China Unicom Ltd.
- **Huawei Technologies' revenue from optical transmission equipment was the highest among all telecom equipment manufacturers in China in July.** Huawei produced optical transmission equipment valued at 2.7 billion yuan (US\$391.9 million) in July. Over the course of the month, it attained revenue of 558.1 million yuan (US\$81.8 million) from domestic sales of optical transmission equipment, and revenue of 2.0 billion yuan (US\$299.1 million) from exports of such equipment.

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Huawei also recorded the highest revenues from domestic optical transmission equipment sales in April, May and June. Hong'an Group maintained its top position in July in terms of shipments of optical cable in China. The company produced 642,000 kilometers of optical cable and shipped 642,000 km of optical cable to the domestic market.

- **AsiaInfo, China's leading provider of telecom software solutions and IT security products and services, announced that its Board of Directors has authorized a stock repurchase program under which AsiaInfo may repurchase up to 5,000,000 shares, approximately 11% of its outstanding common stock.**
- **Chinese telecom firms Huawei and ZTE have won contracts worth US\$75.0 million to expand the mobile phone network in Libya.**
- **China TransInfo Technology Corp., a provider of public transportation information systems technology and comprehensive solutions in China, has entered into an equity transfer agreement to acquire 85 percent ownership of Dalian Dajian Zhitong Information Service Co., Ltd. for 2.0 million yuan (US\$292,568) in cash.** Dajian Zhitong is a taxi media operator in the city of Dalian, Liaoning province. Dajian Zhitong holds exclusive rights to sell advertisement space on taxi rooftops and administer real time GPS data activities including a GPS-based taxi call center, a GPS-based real time taxi alarm system, and a GPS-based taxi driver navigation system for about 10,000 taxis in Dalian for a period of 10 years, starting from August 2008.

Media, Entertainment and Gaming

- **Pay88, Inc., a reseller of online multiplayer game cards and Internet game time in China, has signed an exclusive agreement with Shanghai Hongli Digital Technology, Ltd., an interactive amusement game company, to distribute two new online game cards that are part of the company's popular Goldcool One Card series.** The two new online game cards to be distributed by Pay88 are Devildom and Twelve Animals' Legend. The new Devildom game is the first video talking internet game developed by Shanghai Technology and is expected to become a huge success among the millions of players of internet games in China. The Goldcool games will add to the growing list of highly popular online multiplayer games distributed by Pay88 to the booming Chongqing market and 20 other cities in China.
- **Orbit E-Commerce Inc., an IPTV development company focusing on the Chinese IPTV market, has agreed in principle to acquire all outstanding stock of NexTube Broadcasting Inc. (NBI), a private Toronto company, through a US\$5.0 million private placement.** The proceeds of the US\$5 million financing will be used to initiate the roll out of a High Speed Internet Video Services network to Universities in China through NexTube China Joint Venture.

Hardware

- **Ningbo Kangqiang Electronics Co., Ltd. planned to apply to the National Association of Financial Market Institutional Investors for quotas to sell not more than 200 million yuan (US\$29.3 million) short-term financing bills.** The bills would have terms not longer than 365 days, and their interest rates would keep in line with the market interest rates and would not surpass the bank lending rate in the corresponding period. The company expects the bill sales to help it expand major businesses, replenish working capital, improve liability structure and lower fundraising cost. Besides, Kangqiang Electronics planned to buy a plant in Ningbo City for 109.2 million yuan (US\$16.0 million), in a bid to shift its production away from the current plant, as asked by the Ningbo government.

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- **TPV Technology Ltd. plans to build a large-sized LCD module & LCD TV plant in Nanhai District, Foshan, Guangdong Province.** The to-be-built factory will produce 10 million LCD modules and 7 million LCD TVs a year, seeking annual production value of over 30 billion yuan (US\$4.4 billion), disclosed a person in the know. Chi Mei Optoelectronics (CMO) would executive supply LCD panels and LCD modules to TPV within three years when it acquired a 7.66 percent stake in the latter in December 2007. TPV had set up monitor facilities in Beijing, Ningbo, and Wuhan, TV plant in Suzhou, as well as TV & monitor factory in Fujian. Foraying into flat-panel TV sector in recent years, TPV hopes to find a site for its LCD TV module project and expand the production capacity of large-sized LCD TVs. As a favorable option, the Nanhai District has related facilities set up by CMO and is convenient to TPV's export.
- **The General Electric Company (GE) will set up five new regional headquarters in China's Shenyang, Wuhan, Chengdu, Xi'an, and Guangzhou.** The company already has two regional headquarters in the Chinese market situated in Beijing and Shanghai. GE plans to enhance its cooperation with Chinese small and medium enterprises through acquisitions, mergers, and technology stake. After becoming the only supplier of China's proprietary regional aircraft engines, the household appliance giant is eyeing the trunk line aircraft engine and components market.

Taiwan

Semiconductors

- **Nanya Technology Corp., a maker of dynamic random access memory chips, said its parent-level sales in August fell to NT\$4.0 billion (US\$123.1 million) from NT\$4.8 billion (US\$15.0 million) a year earlier.** For the first eight months of the year, parent sales declined to NT\$26.9 billion (US\$836 million) from NT\$38.4 billion (US\$1.2 billion) in the corresponding period in 2007.

Telecommunications

- **Taiwan-based Shin Kong Group reportedly may increase its stake in financially-struggling First International Telecom (Fitel), a PHS mobile telecom service operator, by teaming up with Japan-based mobile telecom carrier KDDI, according to sources in the Taiwan telecom industry.** Previous media report also indicated that the Shin Kong-KDDI team may also acquire a stake in Asia Pacific Broadband Telecom (APBT).
- **Chunghwa Telecom Co Ltd. did not conduct any transactions in the foreign exchange market, rejecting reports that it sold US\$200 million in a bid to trim its forex-related losses.** Chunghwa Telecom has blamed an unrealized loss on a forex options transaction for a decline in its first half to June earnings. The company booked an unrealized first-half loss of NT\$3.3 billion (US\$102.6 million) as of the end of June on the options deal. In February the loss had been as deep as NT\$4.0 billion (US\$125.2 million).

Hardware

- **Amtran Technology aims to ship 30 percent more flat-screen TVs globally next year, helped by the launch of new models and rising output from its venture with LG Display.** Falling screen prices would help stimulate fresh demand, playing down impact from the slowing U.S. economy, compounded by the demise of financial giants such as Lehman Brothers. Amtran will boost its TV portfolio by introducing smaller models. The company's shipments would grow more than 30 percent next year from the 4 million units it estimated for this year, with LCD TVs accounting for 80-90

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percent of shipments and plasma for the remainder. Amtran joined hands with U.S. partner Vizio Inc to penetrate the TV market in North America.

- **Asustek Computer Inc. has placed orders for the first time with Hon Hai Precision Industry Co., Ltd.** Since spinning off its manufacturing division as Petragon Corporation early this year, Asustek has ordered notebook PCs only with such company. Asustek recently decided to order notebook and desktop PCs from Hon Hai and Flextronics International Ltd., respectively. Asustek is expected to ship 6 million notebook PCs, excluding Eee PC, a globally hot-selling budget-price laptop, this year, with Petragon to handle the entire contract making.

Singapore/Malaysia/Philippines/Indonesia/India/Australia

Telecommunications

- **U.K. communications firm Cable & Wireless PLC and India state-run Bharat Sanchar Nigam Ltd. (BSNL) have signed an agreement to share each other's networks and other telecom infrastructure.** Cable & Wireless India will help BSNL expand its global network, while BSNL will allow Cable & Wireless India to leverage its network across India. BSNL has over 80 million subscribers covering all towns in the country with over 69 million telephone connections - 35 million fixed line and 34.5 million cellular subscribers.
- **PT Telekomunikasi Indonesia had 58 million subscribers as of the third quarter of this year, compared to 47.8 million subscribers at the end of 2007.** The company also announced that it may further add a total of 11 -12 million subscribers this year. Due to the higher-than-expected growth, the company raised its forecast for net subscriber additions for this year from the previous 10 million. Total subscribers could reach 60 million by the end of this month.
- **Telekom Malaysia Bhd. will partially finance a high-speed broadband project worth 11.3 billion ringgits (US\$3.3 billion) through internally generated funds.** Telekom's share of costs for the network is 8.9 billion ringgits (US\$3 billion), while the government's portion is 2.4 billion ringgits (US\$703 million). The project will link up 1.3 million premises in high density areas in the country by 2012 and is expected to be rolled out in March. Telekom expects the project to boost the country's broadband penetration rate to 50 percent in 2010 from 5 percent currently. The government may consider having another high-speed broadband provider later. Telekom is currently the only broadband provider in the country.
- **BT Group PLC has offered its 31 percent stake in Indian software services company Tech Mahindra Ltd. to Tata Consultancy Services Ltd.** BT may be looking at a total exit from the venture, but no confirmation could be obtained from either BT or TCS, India's largest software exporter by sales. It is also not clear at this stage whether BT has informed Mahindra & Mahindra Ltd., the single largest stakeholder with a 44 percent share in Tech Mahindra, about its latest move. Tech Mahindra's market capitalization is close to US\$2.5 billion based on the company's current share price.
- **Indian mobile users are replacing their handsets with better models at a growing rate, but there is still work to be done before Internet access via a mobile device goes mass-market.** Mobile phone replacement accounts for 30 - 35 percent of the handsets sold in the country. Nokia is the largest handset maker in India, with a market share of over 50 percent, although much of its customer base remains at the low end, entry-level of the market. The rapidly-growing mobile market and dearth of fixed-line infrastructure means that for many people, their first experience of the Internet will be on a mobile device.

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- **The Indonesian government will likely approve the Qatar Telecommunication purchase of an additional 24.2 percent stake in cellular operator PT Indosat through a tender offer.** QTel is required by Indonesian corporate law to tender for all of the remaining shares in Indosat. However, foreign ownership in Indonesian fixed-line telecommunications providers is restricted to up to 49 percent and up to 65 percent for cellular operators. Indosat holds a fixed-line license and provides some fixed-line services alongside its main cellular business.
- **CAT Telecom has signed deals with two Korean content providers to provide multimedia services on its nationwide CDMA mobile network.** Insprit and Internet Protocol Network, an application developer representative in Thailand, would help develop and provide wireless broadband internet and video streaming services on CAT's CDMA network. Three months after the signing of the deals, content from the Korean providers would be put on trial services on the network. More than 20 local and international content application firms have approached the state telecom enterprise to bring content services to CAT subscribers. CAT is stepping up efforts to develop its CDMA services on its own network and that of Hutchison in 25 central provinces where Hutchison has not invested further.

Internet

- **Google Inc. launched Google News in the Philippines, the first Southeast Asian country to get a local edition of the news search service.** The service will provide 24 million Filipino Internet users with the latest local news from more than 4,500 English-language news sources, including local news organizations. The addition of Philippine edition increases the regional editions of Google News to 56, which are available in 20 languages.

United States/Canada

Telecommunications

- **AT&T Inc.'s disappointing performance in its high-speed Internet service in the second quarter was an execution issue that the company is addressing.** The company posted weak growth last quarter as the cable providers took market share away from it. It added 46,000 customers in the period, down from 400,000 a year ago. AT&T has been rolling out more aggressive prices and bundles to combat competition. While the company stressed the difference between cable's bundle of individual services and AT&T's more integrated approach, both are looking at addressing the dilemma of a few users taxing their network capacity. Roughly 1 percent of its users make up 20 percent of total traffic.
- After revising its financial forecast downward, Nortel Networks, the telecommunications equipment maker, said that it would make further cutbacks in its already much-reduced operations and that it planned to sell its Metro Ethernet Networks operation (MEN), one of its fastest-growing businesses. Cutbacks in purchasing by both telephone companies and corporate customers for communications systems caused Nortel to cut its revenue forecast for the current quarter to US\$2.3 billion from an earlier US\$2.66 billion, a 14.8 percent decline over the same period a year ago. For the year as a whole, Nortel is anticipating a 2 to 4 percent decrease in revenue compared with its earlier expectation of slight growth. At recent investor conferences, the MEN unit, which makes networks that corporations use to connect offices and factories, has been characterized by Nortel as one of its three areas of focus, along with a unit that sells Internet-based voice-calling systems to telephone companies and an operation that makes internal data and voice communications systems for corporations. Nortel is looking for an all-cash deal.

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Mobile/ Wireless

- **High Tech Computer Corp. expects to ship 600,000 to 700,000 units of Google Inc.'s new smartphone this year.** The target is much higher than analysts' expectations of 300,000 to 500,000 shipments. The phone, dubbed the Dream, will be launched in the U.S. by the end of September by Google, cellular carrier T-Mobile USA Inc. and High Tech Computer. The new phone, which will use Google's Android operating system, an open standards platform for mobile phones, is planned as a direct competitor to Apple Inc.'s iPhone.

Internet

- **Best Buy Inc. has agreed to buy Napster Inc. for US\$121 million, a deal that the consumer-electronics giant said it will use to reach new customers.** The deal, which includes US\$67 million of cash and short-term investments on Napster's books, values the provider of digital music at US\$2.65 a share. The acquisition, set to close in the fourth quarter, includes Napster's 700,000 digital entertainment subscribers, Web-based customer-service platform and mobile capabilities. Best Buy has been expanding its wireless products and services, rolling out cellphone departments to all of its U.S. stores. In May, the consumer-electronics retailer paid US\$2.1 billion to form a joint venture with U.K.-based Carphone Warehouse Group PLC.
- **In announcing its sale for US\$121.0 million in cash to Best Buy Co., Napster Inc. became the latest in a string of companies to regroup after attempting to challenge Apple Inc.'s dominance of the digital music market.** Napster's core business involves effectively giving users access to an unlimited library of music for a flat monthly fee of US\$15.00. Nearly identical rental models have been tried, with similarly uneven results, by RealNetworks Inc.'s Rhapsody and Yahoo Inc.'s Yahoo Music Unlimited. Yahoo shut down its subscription service in February, and RealNetworks folded Rhapsody into a joint venture with Viacom Inc.'s MTV Networks. Rhapsody now markets itself largely as an add-on feature to Verizon Wireless subscriptions.

Technology

- **Intec Telecom Systems PLC, a supplier of billing and operations support systems, has secured a substantial contract extension from one of its most prestigious customers in North America.** The agreement includes a multi-million dollar software license extension that will be delivered immediately and recognized in the current financial year. It follows the successful completion of a pilot project for the same organization.

Europe

Mobile/ Wireless

- **Vodafone has won the right to offer fixed-line telecoms services in Qatar.** A consortium comprising the company and the Qatar Foundation beat two other contenders, groups headed by PCCW and Jordan Telecom, to claim Qatar's second fixed-line license. The concession will be formally granted before the end of this year, with service launch scheduled for 2009. The regulator did not disclose the price of the winning bid. The move will enable Vodafone to operate as a complete service provider in Qatar. The Vodafone/Qatar Foundation partnership won the country's second mobile licence, making it the only serious competitor to incumbent operator Q-Tel.
- **The number of mobile subscribers in Russia reached 177.3 million by the end of August, up 13.6 million on the same date last year and an increase of 1.6 million from July.** Penetration in

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the country now exceeds 122 percent, driven by the big cities; there were 174 SIM cards in use per 100 population in Moscow at the end of last month and 159 in St Petersburg, bucking the trend by some margin. Russian market leader MTS recorded negative growth in August, its domestic customer base sliding to 61.5 million from 61.9 million. The telecom retains the top spot overall with a 34.7 percent market share. MegaFon turned in the strongest performance in August, taking a 43.9 percent share of Russia's net customer additions and a 47.9 percent share in Moscow to take its total market share to 22.4 percent. Its customer base rose to 40.6 million from 39.7 million.

Telecommunications

- **BT Group PLC is considering entering the mainstream pay-television industry by challenging British Sky Broadcasting Group PLC with a bid for rights to screen live English Premiership soccer matches.** BT, which launched a television service last year, has been studying the economics of bidding for live Premier League rights, which are to be auctioned next year. The last sale of rights, covering the three seasons to 2009-10, raised 1.7 billion pounds (US\$3.1 billion), 66 percent more than in 2003. The Financial Times report cites Dan Marks, head of BT Vision (the telecoms group's TV service) as saying bidding for the live rights was an interesting idea although it would be difficult for BT to trump BSkyB.
- **Telecom Italia SpA is considering spinning off its fixed-line network into a new company, in order to allow the entry of new investors able to support the multibillion euro investments needed to build up a next-generation network.** The company, which is looking for fresh capital as it faces a 37.0 billion euros (US\$53.3 billion) debt load, is also studying the sale of up to 5,000 of its mobile transmission towers in order to inject up to 2.0 billion euros (US\$3 billion) in new funds. The network spinoff plan may face the opposition of Telecom Italia's key foreign shareholder Telefonica SA, which has always opposed a corporate spinoff of the network, as it sees the network as a key strategic asset. Telecom Italia doesn't have enough cash flow to invest in a next-generation network.
- **France Telecom SA said its Kenyan unit Telkom Kenya is targeting 1.5 million customers within the next year after adopting the Orange brand.** Telkom Kenya is aiming to increase its customer base from the current level of 500,000 by providing mobile, fixed-line and internet services. A total of 58.0 million euros (US\$83.6 million) has been invested in the network infrastructure of Telkom Kenya, which has a monopoly in the fixed-line sector and has launched a GSM mobile network. A consortium led by France Telecom paid US\$390.0 million in December for a 51 percent stake in Telkom Kenya, adding to the French giant's swathe of activities in Africa, which include Egypt, Cameroon and the Ivory Coast.

Middle East/South Africa/South America

Telecommunications

- **Qatar Telecom said its net profit for the second quarter ending June 30, 2008 rose 59 percent to 655 million riyals (US\$179.9 million) from 412.1 million riyals (US\$113.2 million) for the same period a year earlier.** However, the company said that its focus will now turn to synergies to maximize future profits. The group's net profit attributable to shareholders rose 33 percent to 1.2 billion riyals (US\$329.4 million) for the first half of 2008 versus the same period a year earlier. The Indonesian Supreme Court approved its acquisition of 40.8 percent stake in one of Indonesia's leading telcos, PT Indosat, said the acquisition boosted Qtel's international customer base to over 51 million spanning over 16 countries.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 9/19/08)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
Japanese yen	¥/US\$	107.4200	-0.5%	-1.3%	-4.6%	-9.8%
Hong Kong dollar	HK\$/ US\$	7.7766	-0.3%	-0.3%	-0.4%	-0.02%
Chinese renmenbi	RMB/ US\$	6.8345	-0.04%	-0.2%	-6.4%	-12.4%
Singapore dollar	S\$/ US\$	1.4263	-0.5%	0.8%	-1.3%	-7.3%
South Korean won	KRW/ US\$	1,139.4000	3.0%	4.6%	21.8%	22.5%
New Taiwan dollar	NT\$/ US\$	32.1600	0.8%	2.0%	-1.0%	-1.3%
Australian dollar	US\$/A\$	0.8338	1.2%	-2.8%	-4.7%	5.7%
New Zealand dollar	US\$/NZ\$	0.6875	3.0%	-1.9%	-11.2%	-2.3%
Philippine peso	PHP/ US\$	46.4500	-0.4%	1.0%	12.7%	-5.2%
Euro	US\$/€	1.4464	1.7%	-1.4%	-1.7%	9.6%
British pound	US\$/£	1.8315	2.1%	0.6%	-8.1%	-6.5%

Fixed Income Prices and Yields							
Note	Currency	Current (on 9/19/08)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	101.90	4.38%	103.08	4.31%	96.77	4.57%
Japan 30-year	¥	103.84	2.28%	103.66	2.29%	99.22	2.55%
Hong Kong 10-year	HK\$	106.87	2.77%	106.55	2.81%	103.62	3.10%
China (06/16)	US\$	110.71	3.12%	110.71	3.12%	110.71	3.17%
Singapore 10-year	S\$	107.64	3.10%	107.75	3.09%	106.65	2.84%
South Korea 20-year	KRW	9,470.89	5.98%	9,638.84	5.82%	9,962.27	5.63%
Australia 15-year	A\$	101.45	5.59%	100.56	5.69%	99.61	5.79%
New Zealand (12/17)	NZ\$	102.48	5.65%	99.68	6.04%	96.05	6.56%
Philippines 20-year	PHP	97.74	8.86%	99.65	8.54%	81.51	10.89%
India 30-year	INR	94.33	8.88%	95.29	8.78%	98.71	8.45%
UK 30-year	£	104.23	4.49%	103.76	4.52%	103.02	4.57%
Germany 30-year	€	91.56	4.78%	93.04	4.68%	88.77	4.72%

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