



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

Week of 10 September - 16 September, 2006

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Equity Market Indicators					
Index	Closing Level (09/15/2006)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change 2005 Low
S&P 500	1,319.87	1.6%	5.7%	8.9%	16.0%
Dow Jones Industrial Avg.	11,560.77	1.5%	7.9%	7.2%	15.5%
Dow Jones Tech. Index	382.73	3.0%	2.0%	7.7%	22.5%
Dow Jones Telecom. Index	224.51	2.2%	11.3%	3.1%	13.9%
NASDAQ Composite	2,235.59	3.2%	1.4%	2.8%	17.4%
The Street.com Net	219.58	5.3%	4.4%	5.4%	25.8%
Japan Nikkei 225	15,866.93	-1.3%	-1.5%	38.1%	46.6%
JASDAQ	90.02	-4.9%	-30.9%	-0.3%	-0.7%
Japan Mothers	1,209.42	-9.0%	-52.5%	-29.8%	-30.4%
Korea KOSPI Composite	1,361.10	0.5%	-1.3%	51.9%	56.3%
Korea Kosdaq	606.22	1.4%	-12.3%	59.4%	55.3%
Taiwan Stock Exchange	6,681.09	-0.2%	2.0%	8.8%	18.6%
Singapore Straight Times	2,521.91	0.5%	7.4%	22.1%	22.3%
Hong Kong Hang Seng	17,237.65	0.5%	15.9%	21.1%	29.1%
Hong Kong GEM	1,096.45	-3.4%	8.9%	10.9%	26.9%
China Shanghai (A-Share)	1,810.30	3.2%	48.3%	36.1%	70.4%
China Shenzhen (A-Share)	439.97	1.2%	51.7%	33.9%	79.8%
China Shanghai (B-Share)	89.88	-1.4%	44.9%	18.8%	75.1%
China Shenzhen (B-Share)	291.01	0.0%	48.8%	32.4%	56.0%

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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
9/12/06	Universal Power Group [UPG.US] (AMEX)	Electrical Components & Equipment	US\$27.6	Manufactures and distributes batteries, related battery-powered products for mobile devices	Ladenburg Thalmann & Co/Wunderlich Securities	

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 9/15/06	% Change From Offer
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 9/15/06	% Change From Offer
9/14/06	Mixi Inc. [2121.JP] (Tokyo Stock Exchange)	Operates community style website, mixi. The company sells advertising space and runs recruiting services for IT related jobs	US\$87.4	¥1,550,000	¥3,120,000	101.3%

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
9/15/06	Yahoh Communications Co. [059720.KS]	Develops various ring sounds for cellular phones and other telecommunications devices	9/26/09	US\$8.4	1,757 shares	8/26/09
9/13/06	3Soft Inc. [036360.KS]	Develops and provides various Internet related software and solutions	9/14/09	US\$5.0	1,455 shares	8/14/09
9/12/06	Daewoo Electronics Component [009320.KS]	Manufactures and sells a variety of electronic parts and components for videocassettes, televisions, monitors, etc.	9/25/09	US\$10.4	935 shares	8/25/09
9/11/06	Info & Communications Management Co. [038710.KS]	Develops and markets system integration and system management software	9/14/09	US\$2.1	718 shares	8/14/09

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Weekly Highlights

International

Hardware

- **Cisco Systems maintained its position as the top supplier of networking gear service providers use to deliver bundled services by holding on to 53 percent of the market share.** Paris-based Alcatel came in second with 19 percent. Huawei Technologies, the mainland's largest telecommunications equipment manufacturer, becomes the No. 3 biggest supplier of networking gear, a performance that sees it beating its rival Lucent Technologies. According to a report from New York-based Heavy Reading, a market research firm, Huawei registered more than 50 percent quarter-over-quarter growth in sales of Ethernet-standard switches and routers to telecommunications carriers during the second quarter this year. The figure gave Huawei a chance to get 2 percent in the second quarter and grab a 7 percent market share. U.S.-based equipment vendor Lucent had a 5 per cent share in the same quarter. Worldwide sales of carrier Ethernet switches and routers went up by 15 percent in the second quarter and may pass US\$1.4 billion this year, according to Heavy Reading. Demand is fuelled by a trend for telecommunications carriers to offer subscribers the convenience of bundled voice, video and broadband - or "triple-play" services. Huawei had US\$4.8 billion in international sales last year, the first time this segment exceeded domestic sales, which accounted for 57 percent of its contract sales of US\$8.2 billion last year. Industry observers see Huawei's present position as possibly short-lived since Alcatel is expected to close its US\$10.7 billion merger with Lucent, creating a larger competitor with annual revenues of about US\$25 billion.

Mobile/Wireless

- **China Mobile announced its alliance with KPN, NTT DoCoMo, Orange, Sprint Nextel, T-Mobile and Vodafone to develop a common vision for mobile networks and technology that will take the industry beyond the HSPA and EVDO roadmaps.** The initiative is dubbed the Next Generation Mobile Network (NGMN) initiative. It has become a limited UK company, and has formulated a set of requirements for a future wide area mobile broadband network that is designed to offer enhanced customer benefits by delivering competitive broadband performance alongside high levels of interoperability. The initiative will aim to shape the development and standardization of the next generation of mobile technologies.

Japan

Internet

- **Industry sources noted that a series of Japanese popular video games, which include Namco, Sega, Konami, Koei, SNK are raising their attack against the South Korean online game market.** According to the industry, major game companies in Japan are developing online releases of their own games with South Korean companies or acquire a contract to publish in South Korea. The government and the industry are required to take measures over the excessive rise of payments for copyright and the bad effect on the local online game market as South Korean major game companies rush at every joint project for games with name value or high popularity. 'Katamari Damacy' series for PS2 and PSP developed by Namco is to appear in the domestic online game market soon. It is known

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that Namco is negotiating many conditions with W.N.C companies in Korea to develop 'Katamari Damacy Online'. Currently, 'Shenmue' of Sega and 'La Frontera' of Koei are games that tried to develop as online games, but they did not become hugely popular. Immature localization depending on their name values and conflicts on development are counted for the main causes. But, new projects under process are well prepared and enthusiasm of South Korean companies makes them different from before. Japan companies began to see the domestic market as a touchstone for future business.

- **The Japanese government through its Ministry of Internal Affairs and Communications announced its plans to enable high-speed Internet access via existing power lines instead of telephone or cable TV lines.** The ministry said it will revise a ministry regulation and start accepting applications for the Internet access known as power line communications within this year. The Radio Regulatory Council recommended the lifting of a current ban on power line communications. In the planned service, power lines at home will be used as a local area network by attaching special modems to power outlets. The system is expected to be capable of transmitting information at a speed equal to that of data communications via fiber optics. Manufacturers of electric appliances, electric power companies and telecom operators have shown strong interest in developing the technology as it enables easy high-speed Internet access as well as remote-control of electric appliances at home via personal computers outside the home. Many amateur and professional radio operators, however, are opposed to lifting the ban on power line communications, as there is a possibility that they may leak radio waves and disrupt existing radio communications.
- **eBook Initiative Japan Co., an electronic books distributor, announced its new offer to distribute Japanese "manga" comic books via an Internet portal site in Singapore.** The company said the service will initially offer 30 titles, with the number of titles will be increased to 50 by the end of the year. The new service will be handled jointly with two Kyocera Corp. group firms – Kyocera Communication Systems Co. in Tokyo and Kyocera Communication Asia Pacific Pte. in Singapore. In order to read the manga, customers will have to use special software.
- **Softbank Corp announced that it has begun offering an Apple Computer Inc. iPod nano packaged with one of its own mobile phones.** The company said the new promotion is designed to keep customers for at least two years as Softbank would require them to refund the cost for the handsets if they cancel their subscription within the period. Softbank is offering one of its cell phone models made by Sharp Corp. together with the new 2 gigabyte iPod nano, which Apple unveiled. Apple sells the new iPod model for US\$151. The price of the package is different at each retailer and Softbank could not provide a specific figure. Industry sources indicated that Japanese operators typically offer hefty subsidies to retailers to bring down cell phone prices, and earn back the cost over time through monthly fees. The new sales scheme allows Softbank to bring down the price of handsets while lightening the impact of the subsidy costs on short-term earnings.
- **According to the Ministry of Internal Affairs and Communications, the number of subscriptions to asymmetric digital subscriber line (ADSL) services totaled 14.4 million at the end of June, down 0.2 percent from three months earlier, which was the first quarterly decrease.** Industry experts said the decline shows the increased demand for fiber optics services capable of offering greater-capacity broadband Internet communications services. The number of subscriptions to fiber optics services increased 15.5 percent from the end of March to 6.3 million, reflecting the expansion of fiber optics networks, with 79.7 percent of households in Japan having access to fiber optics services as of the end of March.

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- **The country's most popular online community site Mixi Inc. made an impressive performance on the Tokyo Stock Exchange with buy orders overwhelming sell orders and bids indicated 57 percent higher than its pre-market price.** Raising some US\$93 million in its IPO, Mixi is expected to attract more users and advertisers as it grows, and investors say the stock is attractive to both retail and institutional investors. Mixi operates the nation's largest social network site (SNS), used by some 5 million people to chat, post blogs and create message boards to communicate with people who share similar interests. It is seen as the country's answer to MySpace.com site in the U.S.

Mobile/Wireless

- **eAccess Ltd. said its wireless unit will borrow its rival NTT DoCoMo Inc.'s network to offer a nationwide cell phone service.** Under the agreement, eAccess' mobile unit will roam on DoCoMo's network in areas outside the major cities of Tokyo, Osaka and Nagoya. Observers see the agreement as helping eAccess launch a nationwide voice service in March 2008 before completing its own network. eAccess is building 3G wireless infrastructure with suppliers Ericsson and Huawei Technologies Co. across Japan. eAccess said it aims to have its own network deployed by the end of its roaming contract with DoCoMo in Oct 2010. Prior to the nationwide mobile phone service, eAccess aims to offer wireless data services in March 2007.

Media, Entertainment and Gaming

- **Neowiz's Japanese subsidiary, Neowiz Japan, said it will be showcasing its new games at the Tokyo Game Show to be held late this month.** Neowiz Japan will show fantasy game Monato Esprit, Dekaron and music racing game, R2Beat. Neowiz Japan opened its game portal, Gamechu, in April this year. An official at Neowiz Japan said that the company aims to enhance Neowiz Japan's brand image in Japan through the game exhibition.

Hardware

- **Sony Corp said its revealed plans to will launch a DVD recorder using Blu-ray technology by the end of the year in Japan, a move that is seen as strengthening its lineup of high-definition optical disc products.** Sony, which promotes the Blu-ray format in competition with the HD DVD standard led by Toshiba Corp., did not give details such as a launch date, price or overseas release dates. The company said it currently offers a Blu-ray drive in its VAIO computers and will be selling Blu-ray players in the United States in October. It also plans to roll out its PlayStation 3 game console, which is equipped with a Blu-ray player, in November in Japan and North America. A shift to the new generation of DVD discs and machines is expected to help boost sales at Sony.

Semiconductors

- **IBM Corp. said it has started shipping its microprocessors for game machine manufacturer Nintendo Co.'s Wii next-generation console.** IBM said the chips use technology that will help Nintendo deliver a large improvement in processing power while achieving a 20 percent reduction in energy consumption. IBM has so far provided its chips to Microsoft Corp.'s Xbox 360 and Sony Corp.'s soon-to-be-released PlayStation 3. Nintendo said it plans to ship the Wii in the fourth quarter of this year.

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Korea

Internet

- **The Korea Electronics Institute stated in its report that South Korea's online learning market is expected to grow rapidly by the year 2010, ascribing the growth to the country's keen interest in education and the country's information technology (IT) infrastructure.** The report said the market for e-learning is forecasted to rise to 1.9 trillion won (US\$1.9 billion) for the full year of 2006 and expand at an average annual growth rate of 20 percent by 2010. The paper indicated that the local e-learning market registered 1.5 trillion won (US\$1.5 billion) in 2005, up 316 billion won (US\$329.4 million) from a year ago. In 2005, individuals spent 671.5 billion won (US\$700 million) on online education, up 0.3 percent from a year ago, with the spending of large companies registering a 22.9 percent rise to 668.1 billion won (US\$696.5 million). Megastudy, CREDU, YBM Sisa.com and other leading e-learning companies in Korea are looking forward to attaining best business achievements this year, backed by increasing online students and the synergy effect of both online and offline. In particular, as the e-learning industrial development law was enacted in 2004, the e-learning market, which had been limited to online activities, expanded into broadcasting and other industrial categories, such as solutions, contents and services. The market is to be further intensified with new services, including u-learning (ubiquitous) and m-learning (mobile).
- **The country's Ministry of Information and Communication reported that the government is continuing to shut down access to Korean-language gambling web sites, whose operations are based in foreign countries.** The authority admitted it had blocked this month alone up to 53 gambling sites, which had moved servers overseas to avoid the local laws. Observers said these gambling sites constitute 29.3 percent of the 181 foreign gambling sites banned by the ministry this year. The recent gambling scandal caught the nation off guard last month when prosecutors indicted heads of two firms manufacturing illegally doctored video slot machines named "Pada Iyagi," or "Sea Story." Most of the gaming machines, of which more than 45,000 units were sold, were unlawfully reprogrammed to allow higher payouts than the legal limit of 20,000 won (US\$21). Some sites tried to sidestep the clean up by transferring servers to foreign countries such as the United States and Canada, where the South Korean laws do not have authority.
- **KT Freetel announced that it would stop providing adult content such as porn literature starting November this year.** Starting with adult literature, KTF will continue to terminate service of adult only contents. By 31 Mar 2007, KTF disclosed that it will no longer be servicing adult contents through its wireless Internet network.
- **South Korea said it will strengthen ties with European countries in information technology.** A government source indicated that cooperation with Romania traces back to 1995, when Korea helped Romania build a wireless local loop, or WLL. Through LG Electronics' Romanian corporation, South Korea will invest an additional US\$3.9 million over the next three years to upgrade the country's Internet infrastructure. The report said that Romanian IT experts showed much interest in WiBro. Romania has more than a 50 percent wireless penetration, but is relatively weak in delivering high-speed Internet.
- **South Korea's Ministry of Information and Communication has taken note of the status of the IPTV project even as industry observers observed that many related communication, cable TV companies have shifted their focus from TV Portal service to New IPTV market trial project.** Recently, MIC and KBC (Korean broadcasting commission) have expressed their agreement after extended discussions over the IPTV testing project. The announcement revealed the intention of

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the firms to spend US\$6.0 million on the initial project between November and December. To be eligible for participating in the market trial, the candidate company needs to be fully equipped with IP communications hardware with the ability to execute two-way broadcasting transmissions. KT, who recently replaced its brand name 'HomeN' (TV Portal service), with 'MegaPass' has already committed 80 percent of its US\$50 million IPTV budget on the hopeful project.

Mobile/Wireless

- **Industry sources said that SK Telecom announced that it will be partnering with Google to start a mobile search service.** Under the deal, SK Telecom will be combining its existing phone-based wireless Internet search service with Google's fixed-line search technology. SK Telecom and Google have been known to be in talks for collaboration for the past year. Until now, SK Telecom had been providing a search service through its Nate wireless Internet service but usage was low due to a limited database the search engine provided. SK Telecom said it looks to the new service as a means to boost its data revenue.
- **Samsung Electronics Co. and SK Telecom said they have begun selling a new mobile phone designed to work on networks in more than 90 nations.** Samsung said the SCH-V920 phone allows users to make or receive calls on both CDMA (code division multiple access) and GSM (global standard for mobile communications) networks. The company said the device is also available for use in Japan, which has its own network standard for mobile phones. Samsung said this is the first time a handset has hit the market capable of roaming across the world, including Japan. The SCH-V920, dubbed the "real world phone," will debut in the Korean market with a price tag of around 500,000 won (US\$521). Boasting the widest roaming range in its class, the slide-type phone is topped with an electronic translator, 1.3-megapixel camera, navigator and MP3 player, as well as Bluetooth functions. The gadget translates Korean into English, Japanese or Chinese, according to Samsung and SK Telecom. The new phone supports code division multiple access used in North/Central America and Asia, global system for mobile communications used in Europe, Commonwealth of Independent States and Oceania, as well as Japan's JCDMA. According to SK Telecom, users will be able to send and receive text messages in GSM areas. The operator plans to offer free text message services in GSM areas until October.
- **Industry sources indicated that SK Telecom's wireless platform technology and know-how, which is embedded in a Texas Instrument chipset, will be exported to Europe from which GSM originated.** It is expected to motivate a competition in the global wireless Internet market as it is regarded as a measure against Qualcomm's strategy to combine a chipset and platform. Under the agreement with TI, SKT began to develop a product that couples SKT's wireless platform 'T-PAK' with TI's communication and multimedia chipset, GMS 'OMAP'. 'T-PAK' is embedded in the TI chipset and is an extended release of 'WIPI,' which has combined downloadable wireless Internet contents and the easy change of user interface (UI) of mobile handsets. It is aiming the GSM market supporting OMTP (Open Mobile Terminal Platform), an international organization for wireless Internet platform standardization. SKT is expecting an opportunity to expand the wireless Internet platform to the European market.

Media, Entertainment and Gaming

- **Company records show that Nexon's Kart Rider, which started commercial service in April in China, has exceeded 700,000 concurrent users.** The game reached 500,000 concurrent users on May 17th. There are only two other South Korean games that have reached over 700,000 concurrent users – one is The Legend of Mir II by Wemade Entertainment and B&B by Nexon.

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Telecommunications

- **The Korea Communication Commission (KCC) ordered LG Telecom Ltd. to "rationally" adjust the fees of its Gibun-zone convergence service.** The authority declared that LG Telecom's Gibun-zone service is within the legal context of the country's telecommunications law. Related to this, the authority said the service fees, which are currently set lower than those of the other mobile services, should be adjusted to a degree that does not harm existing carriers. However, the ruling aroused criticism that the KCC did not specify to which point the fees can rationally be adjusted, or raised. Gibun-zone is a service that bundles mobile to mobile and fixed to mobile services, with a competitive edge in low call rates. The KCC also ordered the company to withdraw its commercials, which can mislead consumers into thinking that the de facto wireless service is cheaper than fixed line services. The Gibun-zone service is seen as bringing LG Telecom into conflict with the existing fixed line carriers, including KT Corp., Hanarotelecom Inc. and Onse Telecom Corp., which filed lawsuits last May. In a related development, KT has reportedly expressed dissatisfaction that the KCC had ordered corrective measures, rather than putting an immediate stop to the service.
- **The Korean Cable TV Association (KCTA) disclosed that it has decided not to sue Hanaro Telecom.** The chairman of KCTA said that the association still thinks Hanaro Telecom's Hana TV service is illegal, but has decided not to sue the company considering Hana TV's current subscribers. The official said now that the Broadcasting/Telecommunications Convergence Committee has been launched, KCTA will leave it up to the committee to decide on whether Hana TV is an illegal service or not.

China

Internet

- **Alibaba, the largest business-to-business e-commerce site in China, revealed its plans to go global in the next few years.** The company's top official said it considered the expansion following its US\$1 billion merger with Yahoo China in 2005. Alibaba's popularity is reflected in its Chinese-language site that counts some 13 million members. Its international site, which is in English and focused on import-export dealings, has 2.3 million members in 200 countries. To go with its planned global expansion, Alibaba disclosed that it aims to triple the size of its overseas staff within a year or two. The company said it is in search of local partners to assist its operations overseas, with the firm looking to publishers of trade magazines as good candidates for the posts given their network with local small and medium-sized companies. Alibaba stated that it has collected more than US\$100 million in revenue last year and expected to make more than US\$200 million this year, with much of the revenue coming from subscription services on its B2B site. Besides the B2B site, Alibaba runs Taobao, the largest online auction site in China.

Media, Entertainment and Gaming

- **The display advertising market in China posted revenue of 1.5 billion yuan (US\$189 million) in the second quarter, a performance that industry analysts ascribed to strong spending from the vehicle, computer and electronics, and fast-moving consumer goods (FMCG) sectors.** The report by Internet media and market research firm Nielsen/NetRatings identified Nissan as the leading advertiser from the vehicle industry, Founder Electronics leading in the consumer and electronics space, as well as Coca-Cola. The report said that those three sectors accounted for almost 60 per cent of China's Internet advertising expenditure from May to July this year. It was noted, too,

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in the first ever mainland survey of online display advertisers that online display advertising spending closely approached mainland magazine advertising expenditure, which was forecast to hit 1.9 billion yuan in the same period by Nielsen Media Research, a sister company of Nielsen/NetRatings. The company's AdRelevance, an online advertising tracker service that scans more than 200 Chinese websites, reported 817 advertisers in July, compared with 587 in May. The number of campaigns jumped to 2,276 from 1,500 in May, while banner ads increased to 5,785 from 3,700.

- **Sun New Media announced it's entering into a strategic cooperative agreement with the China Periodical Management Center, the country's principal regulator of magazines and periodicals nationwide.** Sun New Media describes the agreement as enabling it to be more competitive within the country's growing but increasingly regulated e-publishing sector. Under the agreement, Sun New Media gets exclusive access to a state-owned content library, which houses 6,500 books, 1,500 audio and video products, 44 journals, and 3 newspapers. With the agreement comes also the exclusive partnership with the Chinese Government to issue digital publishing permits for business-to-business (B2B) online publishing.

Mobile/Wireless

- **ZTE Corp announced a deal with BT Movio, the wholesale mobile TV provider division of UK incumbent BT Group Plc, to develop a dual-mode 3G/DAB-IP handset for launch in 2007.** BT Movio's business model is to transmit the TV channels on the country's commercial digital audio broadcasting (DAB) radio multiplex, operated by a company called Digital One. The idea is to offer the content as a service on mobile phones, with its customers being the mobile operators, who in turn will market it to their subscribers, leaving their cellular networks free to carry voice or other content. It enables broadcasting for a mass market, while the point-to-point cellular connection can be used for other services, such as video-on-demand (VoD) or catch-up TV, where viewers can go back and see something that's already been broadcast.
- **Motorola announced the opening of an innovation center in Hunan Province, as part of its drive to increase research and development (R&D) in China.** Called the Hunan Innovation Centre, the center will focus on developing wireless applications to drive innovation in China's dynamic telecom sector. The move is seen as another step in Motorola's R&D strategy to aggressively transfer R&D to China. Motorola said it has established about 20 similar centers, and has invested more than US\$600 million into these centers.

Software

- **Sybase, a U.S.-based supplier of enterprise and mobile software, is trying to gain entry to the mainland and its millions of mobile-phone users, a move that it expects will be its opportunity to help increase its revenue.** Earlier, the firm acquired Mobile 365 in an all-cash deal worth US\$400 million, an acquisition that is seen as giving Sybase a good foothold in the mainland's mobile value-added services market, particularly short-messaging services (SMS). Mobile 365's software makes it possible for carriers such as China Mobile, the country's biggest mobile-phone operator, and customers ranging from media companies to financial institutions to offer users ring tones, games and applications sold by third parties and allocate resulting revenue. The company's products also deliver cross-operator SMS and multimedia messaging services. Mobile 365 delivers more than 3 billion messages per month through connections involving 700 mobile carriers and eBay's Internet communications arm, Skype. It posted sales of US\$90 million in the year to March. Sybase is seeking to boost revenue growth that it said might decline to between US\$210 million and US\$215 million in the third quarter from US\$215.6 million in the three months to June.

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- **Hitachi, through its subsidiary Hitachi Data Systems (HDS), established a wholly foreign-owned enterprise in China, with an investment of US\$15 million.** HDS, a supplier of digital storage products and solutions, said it will use the enterprise, which has a registered capital of US\$6.3 million, as a base to increase investment in China and offer more comprehensive solutions and services to its local customers and partners. HDS first entered the Chinese market in 2001 and currently has representative offices in major cities such as Beijing, Shanghai, Guangzhou, Chengdu, Hangzhou and Nanchang. A top company official said the subsidiary's new enterprise aims to also establish its own subsidiaries in Shanghai, Guangzhou and Chengdu. According to Analysys International, the storage equipment market in China in the fourth quarter of last year was worth 1.9 billion yuan (US\$249 million).

Telecommunications

- **Three Chinese firms – Huawei Technologies, China International Telecommunication Construction and ZTE – announced their plan to invest US\$1.5 billion over the next four years to upgrade Ethiopia's telephone system.** The three firms said they have plans of expanding the network as part of one of the largest ever-financial projects in the country. The Chinese companies were among the eight international bidders, which included Ericsson, Nokia and Siemens. The group said they aim to increase the number of mobile phone users in the area from the current 1.5 million customers to 7 million. The three also looked to fixed lines increasing from 1 million to 4 million users. Sources said that the Ethiopian government is looking for an extra US\$900 million needed to completely overhaul its telecommunications infrastructure.
- **China Telecom Group, China's major telecommunications operator, announced the inauguration of its European branch in London as a strategic step in its plans for overseas development.** A top company official said the founding of China Telecom (Europe) Ltd. would increase China Telecom's competitive edge in the international telecommunications industry in addition to improving its brand values. China Telecom is China's largest fixed-line network operator serving some 220-million fixed-line subscribers and 27 million broadband users. The company pledges to continue its aggressive expansion into overseas markets to provide better worldwide communication services for all its customers, especially for Chinese companies outside the mainland. The European expansion is one aspect of the group's strategic growth plans and follows its move into North America, the Asia Pacific region and other key locations in central Asia.

Ventures/Investments

- **The Ogilvy Group China announced that it will extend its local joint venture as Beijing relaxes restrictions on foreign investment in the fast-growing service industry.** The firm is part of marketing firm Ogilvy & Mather. Under the agreement, Ogilvy said that its joint venture with Shanghai Advertising Ltd. will now extend until October 2021. The Chinese government has eased certain rules on advertising joint ventures and also eased limits on investment in other areas of the service industry. The country now allows foreign human resources consulting firms to control their Chinese joint ventures by allowing them stakes of up to 70 percent, up from a 49 percent threshold previously. In a separate development, Ogilvy said it has also agreed to acquire real estate advertising agency Black Arc Advertising, which reported its unaudited revenues of 27.9 million yuan (US\$3.5 million) in 2005.

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Taiwan

Mobile/Wireless

- **Far EasTone Telecom Co., Ltd. announced that it has joined three consortiums to compete for a government bid to test-broadcast Taiwan's first mobile TV programming.** The company's top official said that Taiwan's telecom-service market has grown as a whole, but cellular-service providers have seen their revenues remain flat mostly because of the government's tight control of pre-paid card issuances, increased intranet calls and increased international calls via the Internet. The company estimated consolidated revenues and revenues from telephone service for this quarter to be NT\$16.9 billion (US\$529 million) and NT\$15.5 billion (US\$486 million), respectively. Meanwhile, its pretax earnings and after-tax net income are estimated at NT\$4 billion (US\$127 million). The official said that the Cabinet-level National Communications Commission (NCC) recently tightened controls of pre-paid card sales, leading to a sharp decline of the number of cellular subscribers using the cards to 1.3 million from 2 million. The new policy also led to the company's loss of NT\$2.5 billion (US\$78 million) in the card business. In a related development, the company said it would introduce 3.5G cellular services by the end of this month, which will be based on HSPDPA (high-speed downlink packet access) technology.

Semiconductors

- **Taiwan Semiconductor Manufacturing Co (TSMC), the world's largest contract chipmaker, stated that key inventory adjustments in the semiconductor industry were expected to continue.** Analysts watch inventories in the electronics industry as a key indicator of demand since the production chain is tightly integrated. TSMC said that on-going inventory adjustments meant it expected third-quarter revenues to be flat or fall slightly compared with the three months to June. TSMC revised down its forecast for semiconductor industry growth for this year to 8 percent from the previous 8 percent to 12 percent range.
- **HannStar Board International revealed two aims: one is to raise as much as HK\$575 million (US\$74 million) in a Hong Kong IPO and two is to increase its monthly production capacity of printed circuit boards for notebook computers by 23 percent.** The company, a spin-off from Taiwan-listed HannStar Board Corp., said it plans to add a plant that will boost its output capacity. Printed circuit boards for notebooks accounted for 88 percent of its turnover last year. The company said it is selling 325 million new shares. HannStar disclosed that more than half of the proceeds from the offering will be used to boost output, and about HK\$160 million (US\$20.5 million) will go towards debt repayment. HannStar reported a net profit of US\$23.4 million last year, up 157 percent from 2004, on sales of US\$170 million. In the first three months of this year, the firm posted a massive profit of 130 percent growth to US\$7.8 million from a year ago. Polaris Securities and Taiwan Securities are the deal arrangers.

Hong Kong

Hardware

- **Industry sources have identified Computime as a firm aiming for public listing.** The company, an electronic controls and automation devices maker, is said to be pre-marketing its 200 million share sale, which accounts for 25 percent of its enlarged share capital, to raise US\$100 million this month. The company generated 42 percent of its turnover in the year to March from just five customers. More than 50 percent of Computime's sales come from building and home electronic controls.

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Telecommunications

- **PCCW reported a 10.6 percent rise in its first-half operating profit, with the firm ascribing the growth to its broadband services and increased sales at its property unit.** The company said its operating profit went up to HK\$2.1 billion (US\$269.8 million) from HK\$1.9 billion (US\$244.1 million) a year earlier, with revenues posting a 21 percent growth to HK\$1.4 billion (US\$179.8 million). Its net profit went down by 16 percent to HK\$796 million (US\$102.2 million) from HK\$954 million (US\$122.5 million) after a one-time investment gain in the year-ago period. The company said it is looking to increasing profit by drawing in more users to its broadband services, which delivers pay television as well as Internet access while it tries to attract subscribers to its loss-making 3G mobile-phone business by offering free access. PCCW said its sales from its Now pay-television business climbed 66 percent from a year earlier to HK\$303 million (US\$39 million), the first time the performance has been reported separately. The number of subscribers went up about 48 percent from June last year to 654,000 at the end of last month, while broadband users increased by 16 percent to 998,000 at the end of June from a year earlier.

Singapore/Malaysia/Philippines/Indonesia

Information Technology

- **NEC Solutions Asia Pacific Pte Ltd (NECSAP) and CSC Computer Sciences Pte Ltd announced that they have entered into an exclusive agreement to bid on the Singapore government-outsourcing tender, which is expected to be released soon by the Infocomm Development Authority of Singapore (IDA).** The two companies are part of Team NexGenea Consortium, one of the four consortia short-listed by IDA at this stage of the bidding process for the tender, known as the Standard Operating Environment (SOE) Tender. NECSAP is a wholly owned subsidiary of NEC Corporation. The other three consortia are Hewlett-Packard-ST Electronics, NCS-IBM and EDS-Singapore Computer Systems (SCS).

Hardware

- **Hewlett-Packard announced the renewal of the status of its International Headquarter (IHQ) in Singapore for another 10 years.** The company said it has based its decision to continue to site its regional HQ in Singapore because of the excellent infrastructure, talent pool and pro-business policies in the country. The IHQ status is granted by the Singapore Economic Development Board (EDB) to companies that commit to a certain level of investment in Singapore and it provides a number of benefits, including tax breaks. HP came to Singapore way back in 1970 and it runs its Asia-Pacific and Japan (APJ) operations from here. An HP official added that the company was looking forward to participating in the Singapore government's proposed tender to outsource its front-end computer systems. The approximately US\$2 billion plan (to be implemented in two tranches), called the Standard Operating Environment (SOE), has four short-listed consortia ready to bid for the contract, with HP leading one of the consortia.

Software

- **Infineon Technologies, a chip manufacturer, made its entry into Asia by way of a US\$1 billion power semiconductor plant in Malaysia.** The German firm said the plant in Kulim Hi-Tech Park in northern Malaysia is the group's first facility in Asia designed to complement the firm's production sites in Europe including development and production facilities in Austria and Germany. The company said the fabrication facility in Malaysia will produce power and logic chips that enable

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efficient energy management for industrial and automotive power applications. According to the chairman of the Malaysian plant, the facility was expected to employ about 1,700 people and contribute significantly to Infineon's global revenue when it reaches full capacity in 2009. By the end of the decade, Infineon said it may consider building a similar-sized plant adjacent to the Kulim facility if market demand stayed robust. Infineon holds a 9.3 percent share in the US\$11.3 billion global power semiconductor market.

United States/Canada

Internet

- **RealNetworks Inc., a maker of software to play music and videos on the Internet, agreed to buy WiderThan Co. of South Korea for US\$350 million to add software for selling music and ring tones on mobile phones.** The move extends RealNetworks' music service to wireless products, which outsold personal computers last year. WiderThan sells music for mobile devices through more than 50 companies in at least 25 countries. WiderThan had second-quarter net income of US\$4.6 million on sales of US\$33.1 million. The companies expect the purchase to close in the first quarter of 2007. Excluding transaction costs, RealNetworks expects the purchase to add to profits next year. WiderThan had about US\$93 million in cash and short-term instruments on June 30. RealNetworks said it plans to operate WiderThan as a unit and keep the employees. WiderThan also sells games and software for sending messages between mobile devices. WiderThan has agreements with wireless service providers including SK Telecom Co. in South Korea and Verizon Wireless in the U.S. The company helped pioneer "ring-back tones," which let handset owners replace the usual ringing sound that friends hear when calling, with a song of the owner's choice.
- **Globix Corp. revealed its decision to sell its New York City headquarters to a group for about US\$51.8 million.** The Internet provider said it was seeking strategic alternatives. The buyers led by affiliates of Young Woo & Associates and/or Angelo Gordon Real Estate Funds, have agreed to allow Globix to maintain operations through May 31, 2007, the Internet service provider said in statement. The company said the transaction is expected to close in about one month.
- **Apple Computer Inc. announced a new service in the U.S. for downloading movies onto personal computers via the Internet.** The company also announced new additions to the iPod series of portable digital music players. Industry analysts said that with Apple entering the market, the online distribution of movies could become increasingly widespread. Movie downloads in the new service will be made from iTunes 7, a new version of the music download software iTunes, and will cost US\$14.9 dollars for downloading a new title and US\$9.9 dollars for a catalog title. New titles will be available to download concurrently with the DVD release. The company has not released any detail when the service will be available in other parts of the world.
- **Yahoo Inc. announced that it has signed a multiyear distribution deal to feature its Internet search services on all personal computers from Taiwan's Acer Inc.** Acer, which is the top supplier of PC notebooks in Europe and the third-ranked manufacturer in Asia, plans to feature Yahoo as the default way users search on the Microsoft Internet Explorer browser. The deal has been described as a strategic partnership by officials from both companies and calls for Acer to distribute a co-branded web browser toolbar and PC start page with Yahoo as the default search service. Financial terms were not disclosed. The deal is just the latest of many partnerships where major Internet companies are seeking to ensure featured status on the new version of Microsoft's Internet Explorer,

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the dominant Web browsing software. Acer PCs will encourage users to use Yahoo Search, Mail, News, and Finance services.

Media, Gaming and Entertainment

- **Image Entertainment Inc. (“Image”)** has reportedly filed a complaint against shareholder **Lionsgate Entertainment Corp. of trying to drive down its stock price, according to a letter disclosed in a U.S. regulatory filing.** Image, a producer and distributor of home entertainment, also defended its distribution agreement with Relativity Media LLC, a deal Lionsgate has opposed and said would dilute shareholder value. Lionsgate was reported to have launched an unsolicited bid against the company. Lionsgate, which with a 19 percent stake in Image is the company's second-largest shareholder. As a production company, it has facilitated financing arrangements for Warner Bros. Pictures and Marvel Enterprises, as well as Sony Pictures Entertainment and Universal Pictures. Image announced last month that it had agreed to distribute movies independently financed and produced by Relativity on all home video and digital formats. As consideration, Image granted Relativity 3.4 million shares, making the company one of its largest stockholders. Lionsgate last year offered to buy Image for US\$4 per share cash, prompting Image to form a special committee to review the bid and to hire Lazard to advise it.
- **A consortium that includes Televisa, a Mexican media giant, Bain Capital and Cascade Investments, Bill Gates’s private equity firm, a Mexican media giant, disclosed that it is considering a bid valued at US\$13 billion for U.S. Spanish-language broadcaster Univision Communications.** The move comes after the group lost an auction for the company earlier this summer. No details were released to show how Televisa could put up a new bid after Univision agreed to a US\$12.3 billion buyout by a group of private equity firms and media mogul Haim Saban.
- **News Corp. disclosed that it has agreed to buy 51 percent of the mobile phone ringtones firm Jamba in a deal valued at about US\$188 million from Verisign Inc.** Under the deal, News Corp. said it plans to merge the global Jamba brand and the accompanying U.S. Jamster brand with its Mobizzo unit. The unit sells short video clips of TV programs. Internet security company VeriSign bought Jamba in 2004 for US\$273 million in cash and shares. Research firm Juniper predicts global ring tone sales to be about US\$6.6 billion by the end of the year, even as it looks to the market refocusing to complete song sales.

Software

- **In a letter to the stock exchange, Oracle Corp. offered to pay up to US\$531 million in a bid to boost its stake in its majority-owned Indian software developer, i-flex solutions Ltd.** If Oracle secured the 20 percent stake, the move would increase the firm's holding in i-flex to about 75 percent. Oracle's stake in i-flex has recently risen to about 55 percent, from 47.7 percent at the end of March 2006, due to secondary market purchases and a new share sale by i-flex.
- **AT&T Inc. said that a subsidiary was set to acquire privately held applications service provider USinternetworking Inc. for about US\$300 million in cash and assumed debt.** USinternetworking specializes in enterprise software and e-commerce. AT&T expects the acquisition will heighten its presence in the business software applications market. According to IDC, the software applications market was estimated in 2005, to be worth US\$21.5 billion worldwide and US\$9 billion in the U.S. AT&T said that, after the acquisition, USinternetworking will operate as a wholly owned subsidiary and business unit within AT&T's existing enterprise services organization. The company said it expects to retain USinternetworking's team and its domestic and international operations. The transaction is expected to close in the fourth quarter.

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- **Numara Software Inc has announced it paid an undisclosed sum last month for UniPress Software, a US\$10 million supplier of service management support software for the medium-sized business market.** Numara is backed by private equity firm of TA Associates. Its own Track-it! IT help-desk products are best known in the small business markets of the SMB sector, needing to support up to 25 helpdesk agents. The UniPress FootPrints web-based service desk software competes in the market with the BMC/Magic and FrontRange/Heat service desk suites. The combined businesses will have about 200 staff and revenue of about US\$72 million. Under the deal, both the FootPrints product line and Track-it! suite will continue to be developed separately as they address different markets with different requirements. Both companies use telesales to market their products, but FootPrints will now also be sold by Numaras U.S. field sales staffs, and its European VAR channel.

Ventures/Investments

- **A group of private equity firms composed of Apax Partners, Bain Capital, Kohlberg Kravis Roberts & Co. and Silver Lake Partners announced forming a partnership to bid for chipmaker Freescale Semiconductor Inc.** The partnership must contend with a rival private equity bidding team made up of Blackstone Group, Carlyle Group, Permira and Texas Pacific Group. Freescale earlier confirmed that it is in talks regarding a possible business transaction, but did not identify the bidding groups.

Europe

Mobile/Wireless

- **A Safran top official disclosed that the company would consider all options for its loss-making mobile handsets business.** It also revealed its move to look into possible changes, which can affect its strategy. The top official said Safran's existing partnership in mobile handsets with China's Ningbo Bird attempted to show that small players could compete together to contain the big ones even when at the end, the approach does not seem to work. The official maintained that the company remains stable despite not very favorable first-half results. Safran is a French mobile phone and aircraft-engine maker.
- **Nokia announced that it has secured deals with two Chinese firms involving the sales of 20.8 billion yuan (US\$2.6 billion) worth of mobile communications equipment to be delivered this year.** Under a framework agreement signed in Helsinki, Finland, Nokia will supply China Mobile Communications Corporation GSM/GPRS radio and core network equipment worth 5.8 billion yuan (US\$728 million) for network expansion. In a related development, Nokia said it has signed a memorandum of cooperation with China Postel Mobile Communication Equipment Co., Ltd., China's largest mobile phone distributor, for the supply of 15 billion yuan (US\$1.8 billion) worth of mobile terminals.

Internet

- **Next, Britain's third-largest clothing retailer, announced an increase in its first-half profit, a rise it ascribed to shoppers buying more products from its Next Directory catalogue and web site.** The company said net income went up to 124 million pounds (US\$233.2 million) for the six months ended July from 119.9 million pounds (US\$225.5 million) a year earlier. The figure went beyond the median estimate of 116 million pounds (US\$218.2 million) in a survey of nine analysts.

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Profit at Next Directory posted a 45 percent growth to 59.6 million pounds (US\$112.1 million). Next said that its revenues had registered an 8.1 percent growth to 1.5 billion pounds (US\$2.8 billion) in the first half, with Next Directory posting a 15 percent rise to 359.4 million pounds (US\$676 million).

Telecommunication

- **Telecom Italia said it has decided to a shift in strategy, one that aims to focus on broadband and media.** The move is seen as leading to the sale of mobile unit TIM for some 35 billion euros (US\$44.2 billion). Telecom Italia said it would concentrate on broadband and media and create two new companies, one each for its network and its mobile operations. The move appears to be different from what is happening in the European telecom sector. Industry sources said that Telecom Italia may in the future sell a part or all of TIM.
- **Vodafone said it aims to offer high-speed broadband services by the end of the year using British Telecom's (BT) phone lines.** In the same announcement, Vodafone said it seeks to increase subscribers by adding new services. Under the new offering, Vodafone customers would be able to buy combined packages of mobile and broadband services. Financial terms of the agreement were not disclosed. Industry analysts see the agreement with BT as a response to the diminishing growth of Vodafone.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 9/15/06)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change Last 12 Mth.
Japanese yen	¥/US\$	117.5500	0.5%	-0.2%	14.5%	6.2%
Hong Kong dollar	HK\$/ US\$	7.7831	0.1%	0.4%	0.1%	0.3%
Chinese renmenbi	RMB/ US\$	7.9430	-0.1%	-1.6%	-4.0%	-1.8%
Singapore dollar	S\$/ US\$	1.5825	0.6%	-4.8%	-3.0%	-5.8%
South Korean won	KRW/ US\$	956.5000	-0.1%	-5.3%	-7.6%	-6.7%
New Taiwan dollar	NT\$/ US\$	32.9345	0.2%	0.3%	3.8%	0.3%
Australian dollar	US\$/A\$	0.7531	-0.1%	2.8%	-3.5%	-1.8%
New Zealand dollar	US\$/NZ\$	0.6624	3.9%	-3.1%	-7.8%	-6.1%
Philippine peso	PHP/ US\$	50.2250	-0.6%	-5.4%	-10.7%	-10.4%
Euro	US\$/€	1.2666	-0.1%	6.9%	-6.6%	3.6%
British pound	US\$/£	1.8813	0.9%	9.2%	-1.9%	4.2%

Fixed Income Prices and Yields

Note	Currency	Current (on 9/15/06)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	93.5781	4.92%	93.5469	4.94%	92.2700	4.98%
Japan 30-year	¥	102.3810	2.37%	102.0970	2.37%	100.5130	2.47%
Hong Kong 10-year	HK\$	105.5555	4.36%	105.3998	4.36%	103.2880	4.46%
China (06/16)	US\$	113.1380	3.11%	113.0350	3.13%	112.8200	3.16%
Singapore 10-year	S\$	99.3000	3.30%	98.0150	3.46%	97.3920	3.49%
South Korea 20-year	US\$	108.1400	5.09%	108.4397	5.07%	111.8790	5.00%
Australia 15-year	A\$	154.7135	2.23%	155.6980	2.22%	154.5550	2.24%
New Zealand (12/17)	NZ\$	100.9988	5.87%	101.1971	5.87%	100.9710	5.88%
Philippines 20-year	PHP	111.5942	10.00%	104.5972	10.75%	103.4490	10.84%
India 30-year	INR	88.2820	8.49%	89.1583	8.40%	86.2467	8.71%
UK 30-year	£	101.8090	4.14%	102.0530	4.15%	100.7210	4.21%
Germany 30-year	€	100.4680	3.99%	99.8550	4.04%	97.6710	4.14%

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