

IRG WMR



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

Week of 10 December - 16 December, 2006

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



Week of 10 December- 16 December 2006

Table of Contents

Equity Market Indicators	3
Technology, Media, Telecommunications and Life Sciences Market Activity	4
Weekly Highlights	6
International	6
Japan	6
Korea	9
China	11
Taiwan	14
Hong Kong	15
Singapore/Malaysia/Philippines/Indonesia	16
United States/Canada	16
Europe	18
Other Economic Data	19
Currency Exchange Rates	19
Fixed Income Prices and Yields	19

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



Week of 10 December- 16 December 2006

Equity Market Indicators					
Index	Closing Level (12/8/2006)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change 2005 Low
S&P 500	1,409.84	0.9%	12.9%	16.3%	23.9%
Dow Jones Industrial Avg.	12,307.49	0.9%	14.8%	14.1%	22.9%
Dow Jones Tech. Index	413.18	0.5%	10.2%	16.3%	32.3%
Dow Jones Telecom. Index	254.10	2.1%	26.0%	16.7%	28.9%
NASDAQ Composite	2,437.36	1.0%	10.5%	12.0%	28.0%
The Street.com Net	246.76	-0.2%	17.3%	18.5%	41.4%
Japan Nikkei 225	16,417.82	0.6%	1.9%	42.9%	51.7%
JASDAQ	87.01	2.7%	-33.2%	-3.7%	-4.0%
Japan Mothers	1,161.97	1.4%	-54.3%	-32.5%	-33.2%
Korea KOSPI Composite	1,390.43	-3.1%	0.8%	55.2%	59.7%
Korea Kosdaq	608.39	-1.8%	-12.0%	60.0%	55.8%
Taiwan Stock Exchange	7,636.30	0.3%	16.6%	24.4%	35.6%
Singapore Straight Times	2,865.14	1.0%	22.1%	38.7%	39.0%
Hong Kong Hang Seng	18,739.99	0.3%	26.0%	31.7%	40.3%
Hong Kong GEM	1,183.35	-1.2%	17.5%	19.7%	37.0%
China Shanghai (A-Share)	2,200.54	-0.4%	80.2%	65.4%	107.1%
China Shenzhen (A-Share)	506.35	-2.3%	74.6%	54.0%	106.9%
China Shanghai (B-Share)	117.60	-2.8%	89.6%	55.4%	129.0%
China Shenzhen (B-Share)	382.69	0.8%	95.6%	74.1%	105.2%

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



Week of 10 December- 16 December 2006

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
12/13/06	Bridgeline Software Inc. [747787Z.US] (NASDAQ)	Software	US\$18.0	Develops computer software, markets web applications and software tools	Joseph Gunnar	
12/11/06	Madison River Communications [MRCC.US] (NASDAQ)	Telecom	N/A	Operates rural local telephone companies in the U.S. offering long distance voice services and Internet access services	Goldman Sachs/Merrill Lynch	JP Morgan/Lehman Brothers/Stifel Nicolaus & Co./Wachovia Securities
12/11/06	Solarfun Power Holdings [SOLF.US] (NASDAQ)	Alternative energy	US\$162.0	Manufactures and sells photovoltaic cells and modules in China	Goldman Sachs	CIBC World Markets

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 12/15/06	% Change From Offer
12/14/06	Double-Take Software [DBTK.US] (NASDAQ)	Develops, sells and supports software that reduces downtime and protects data for business-critical systems	US\$82.5	US\$11.00	US\$12.66	15.1%
12/13/06	MEDecision Inc. [MEDE.US] (NASDAQ)	Provides software that manages clinical and financial risk for managed care organizations	US\$74.3	US\$10.00	US\$10.00	0.0%
12/13/06	Isilon Systems Inc. [ISLN.US] (NASDAQ)	Manufactures and produces digital media storage devices used for video, audio and digital images	US\$79.3	US\$13.00	US\$23.10	77.7%
12/12/06	Guidance Software [GUID.US] (NASDAQ)	Develops and produces software solutions for digital investigations used by law enforcement to collect and analyze computer evidence	US\$72.5	US\$11.50	US\$17.15	52.2%
12/12/06	IPG Photonics Corp. [IPGP.US] (NASDAQ)	Designs, manufactures and sells high performance fiber amplifiers for telecommunications and industrial applications	US\$139.5	US\$16.50	US\$24.60	49.0%

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



Week of 10 December- 16 December 2006

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 12/15/06	% Change From Offer
12/15/06	Fujian Gourmai Technologies [002093.CH] (Shenzhen Exchange)	Engages in telecommunication networks, technical support and system integration	US\$21.6	RMB 10.10	RMB 24.29	140.5%
12/13/06	Korea Computer Inc. [089150.KS] (KOSDAQ)	Provides a wide range of computers and related products such as LCD monitors	US\$13.2	KRW 23,500	KRW 41,600	77.1%
12/13/06	Patron Co. Ltd. [091700.KS] (KOSDAQ)	Manufactures various parts used in mobile phones such as filters, antennas and modules used in mobile phone cameras	US\$10.1	KRW 8,300	KRW 8,460	2.0%

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
12/14/06	FYD Corporation [014420.KS]	Specializes in manufacturing car amplifiers and related products including fan cooling and sound retrieval systems	12/21/09	US\$2.1	18,867 shares	11/21/09

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



Week of 10 December- 16 December 2006

Weekly Highlights

International

Information Technology

- **According to research firm IDC, Asia-Pacific countries excluding Japan would spend an estimated US\$132 billion on information and communication technology in 2007.** The report indicated that China and India were expected to account for 43 percent of all spending on computers, telecommunications, software related services and products. IDC also noted that the region's surge in the growth of its economic and IT market growth has resulted in dynamic and rapidly evolving corporate and consumer markets. IDC noted several trends to watch out for next year: increasing access to wireless Internet among businesses and consumers, standardization of components and services, and more competitive offerings by software vendors.

Internet

- **Gartner, Inc., an independent research firm, said that the number of bloggers will reach roughly 100 million worldwide at some point in the first half of next year.** The report indicated that blogging and community contributors will peak in the first half of 2007, noting that given the trend in the average life span of a blogger and the current growth rate of blogs, there are already more than 200 million ex-bloggers.

Hardware

- **Dell announced the launching of free recycling in several additional markets worldwide, a move that allows it to meet a timetable set in June to provide free recycling of any Dell-branded product for consumers worldwide as part of its global recycling policy.** Dell says it is the first and only computer manufacturer to offer such a program. These new markets include Brazil, China, India, South Korea, Mexico, and Taiwan. Recycling services for consumers were either added or enhanced in Australia, Malaysia, New Zealand, Singapore and Thailand. This recycling offer is designed for consumers and includes responsible recycling of used Dell-branded computers and peripheral equipment at no-charge. Dell says it supports a policy that would make all producers responsible for offering recovery and recycling services for their own brand products from consumers at no charge. For donating working computers, Dell's longstanding relationship with the National Cristina Foundation provides customers options that support local non-profit organizations. The donation program is currently available in Brazil, Canada, France, Ireland, the United Kingdom and the U.S.

Japan

Internet

- **Asahi Net Inc., a Japanese Internet service provider, announced that it has secured approval to list on the Tokyo Stock Exchange.** The company said it will offer 9.9 million shares to the public in its IPO. Asahi Net will offer all the shares through the book-building method. For the current fiscal year through March 2007, the company forecasted a pretax profit of 1.2 billion yen (US\$10.1 million),

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



Week of 10 December- 16 December 2006

net profit of 673 million yen (US\$5.6 million), and sales of 5.5 billion yen (US\$46.5 million). Nomura Securities, the lead underwriter of the offer, also has a green shoe option allowing it to offer an additional 1 million shares in the event of exceptional demand.

- **Mixi, Inc., a major social networking service (SNS) provider, announced that it will introduce a system that will allow the uploading of video images to its network by March of 2007.** A company official said that Mixi has put much effort into services for mobile phones. The offering comes as the competition among SNS providers has been growing in Japan following the launch of the Japanese version of MySpace in November. Mixi boasts of some 6.6 million members using its services on a daily basis.

Media, Entertainment and Gaming

- **EMI Group announced its plan to buy out shares in Toshiba-EMI, the Japanese joint venture it had with Toshiba Corp, for a bigger share of the world's second-biggest music market.** The British music company said that by turning the Japanese unit into a wholly owned subsidiary, EMI Group aims to strengthen management and speed up the decision-making process. Toshiba-EMI, like other labels has to contend from diminishing demand for CDs and the shift to digital song downloads. Digital music accounted for 9.4 percent of EMI Group's recorded music division revenue at the end of September, below the industry average of 11 percent. Toshiba's sale of its 45 percent stake in the music firm, which is expected to be finalized between April and September next year, is seen as bringing in a profit of 13 billion yen (US\$110 million) for Toshiba in the year starting next April.
- **Nintendo disclosed that it will replace 3.2 million straps for its popular Wii computer game controllers after receiving a series of reports stating that the devices flew out of the hands of players.** The Wii's signature wand-like remote controller is used to mimic the motions of a tennis racket, golf club or sword, depending on the game. But soon after the Wii went on sale last month, people started reporting cases of the controller's strap breaking as they waved it about vigorously. The worldwide recall is expected to cost the company several million dollars.

Mobile/Wireless

- **Fujitsu revealed that it looks to doubling its revenue in China by 2010 by helping to develop 3G mobile-telephone services and handling work for other multinationals expanding in the country.** Fujitsu said it had already made an investment worth some 2 billion yen (US\$17 million) to establish two platform solution centers in Shanghai and Hong Kong. The company said it expects to get some 300 billion yen (US\$2.5 billion) in mainland sales this year. Earlier, the company separated its China operation from its Asia Pacific business in a bid to use resources in the mainland, which the company sees as becoming its growth engine in the coming years. Fujitsu has invested more than 1.9 billion yuan (US\$242.7 million) in China in the past 20 years. The company maintains 46 subsidiaries in the country, generating 14.1 billion yuan (US\$1.8 billion) in sales in 2005.
- **NTT DoCoMo, Inc. and Hutchison Essar (Hutch), one of India's leading mobile operators, announced an agreement under which Hutchison Essar will launch the i-mode mobile Internet service in India within 2007.** Under the agreement, DoCoMo will license the patented technologies for Hutch to offer i-mode on GSM, GPRS and W-CDMA networks. This will enable subscribers to enjoy access to rich content, e-mail, games and a variety of useful and entertaining Internet services through their mobile handsets. More than 53 million people across the globe subscribe to i-mode, which is currently available in 16 countries/regions in Asia-Pacific and Europe: Australia, Belgium, Bulgaria, France, Germany, Greece, Ireland, Israel, Italy, Japan, the Netherlands, Russia, Singapore, Spain, Taiwan and the UK. DoCoMo said preparations are also underway to launch

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



Week of 10 December- 16 December 2006

i-mode in Hong Kong, Macao and the Philippines. DoCoMo plans to expand the service to a total of 26 countries/regions in the future.

Software

- **Sourcenext Corp., a computer software developer, announced that it has received approval to list on the Tokyo Stock Exchange's Mothers market.** The company will offer 7,000 shares to the public in its IPO. Of those, 5,000 are newly issued shares and 2,000 are shares currently held in private. An additional 1,050 shares is expected to be offered to the public from its shareholders in the event of exceptional demand. The company will offer all the shares through the book-building method. The company expects to net 1 billion yen (US\$8.4 million) from the IPO. For the current fiscal year through March 2007, the company forecasts a parent pretax profit of 530 million yen (US\$4.4 million), a net profit of 526 million yen (US\$4.4 million), and sales of 11.3 billion yen (US\$95.6 million). Last fiscal year, the company posted a parent pretax profit of 347 million yen (US\$3.0 million), net profit of 351 million yen (US\$3.0 million) and sales of 10.3 billion yen (US\$87.1 million). Nomura Securities is the lead underwriter of the offer.

Hardware

- **Sony Corp announced that its shipment target of 2 million PlayStation 3 consoles by the end of the year will remain even as it raises concerns about the company not being able to meet demand before the Christmas and New Year's season.** The company said it also expected to meet its shipment target of having six million PlayStation 3 consoles ready by the end of the financial year to March. Sony announced that it would launch its next generation system in Europe as soon as possible. PS3 made its highly anticipated world debut with the launch, but had its European launch postponed till next year. Analysts using industry figures see these factors as giving its rival, Nintendo's Wii an advantage outselling the PS3 by more than two to one.

Semiconductors

- **Nikon Corp., the world's No. 2 chip stepper maker, announced that it has secured a contract to supply Taiwan's Powerchip Semiconductor Corp. with equipment used to make NAND flash memory chips.** Nikon said Powerchip will install Nikon's latest immersion steppers, complex machines used to print circuitry on silicon wafers, in its factory in Taiwan. The equipment will be used to make 50-nanometre NAND microchips typically used in digital consumer electronics.

Ventures/Investments

- **KDDI Corp. and OAO Rostelecom of Russia announced coming to an agreement to spend 5 billion yen (US\$42 million) for setting up undersea fiber-optic lines between the two countries.** A KDDI spokesperson said the lines will be ready for service in March 2008. NEC Corp., owner of Japan's third-largest semiconductor maker, was awarded the contract to handle the work, which is expected to begin in mid-2007, with transmission scheduled to begin in March 2008. The project is intended to provide a more direct telecommunication route between Japan and Europe. Rostelecom is the dominant long-distance telephone company in Russia.

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



Week of 10 December- 16 December 2006

Korea

Internet

- **Daum announced entering into a strategic alliance with Google for Cost Per Click (CPC) search product with the aim of targeting South Korea's search market.** Under the agreement, Daum's CPC product will be managed by Google AdSense, which is expected to increase Daum's competitiveness through synergies from Daum's strong media power, combined with Google's world-leading advertising technology. The two companies said they plan to establish a close partnership in marketing activities to expand their influence in the search market. A Daum official sees the expansion of its relationship with Google AdSense as improving the web experience for all its users and advertisers, and further boosting its position in the online advertising business.
- **A top official at NHN, Korea's leading Internet company, announced that it is planning to venture into the Japanese search market late next year.** The company said it aims to open beta services with a new search engine in Japan, possibly late next year. NHN has operated a host of overseas businesses but all of them are online games and the company has never advanced into another country with its own search engine. In 2000, NHN made inroads into the Japanese online game market and has progressed to be the top player, boasting 19 million subscribers and 125,000 concurrent users. An NHN insider said the outfit's first goal is to make the presence of its search engine felt in competition with such firms as Yahoo Japan and Google.
- **Microsoft Korea said it aims to jump into competition in the domestic portal market by adopting a dual portal strategy with MSN brand and reshuffling the organization.** The company aims to market MSN Media Network and Windows Live brands at the same time, and especially hopes to put on track a variety of offerings released under the Windows Live brand. Microsoft Korea recently turned the MSN business unit into the Online Service Group (OSG). The dual portal strategy is aimed at fostering the MSN Media Network as a media platform, and Windows Live, comprising of community, search, mail and messenger as user-oriented Web 2.0 services. It also plans to introduce new offerings such as Live Mail and search, as well as provide free 2-gigabyte capacity mail service.
- **SK Communications said the subscriber base of CyWorld, South Korea 's foremost social-networking site, has surpassed the 3.5 million mark in China, one-and-a-half years after its debut there.** SK Communications, which operates CyWorld worldwide, said many of its Chinese users are located in Beijing, where the firm focuses, or Jilin, where a lot of ethnic Koreans live. CyWorld has roughly 19 million subscribers in Korea and has advanced into China, Japan, the United States, Taiwan, Germany and Vietnam. SK Communications, an affiliate of Korea's leading mobile carrier SK Telecom, said its U.S. operation is gaining momentum, as people regard CyWorld as a ``noise-free" site. The company also looks to notable growth in Taiwan next year.

Mobile/Wireless

- **Pantech Group, a South Korean handset manufacturer, has announced the launching of the IM-U160 handset, a new terrestrial digital multimedia broadcasting (DMB) handset that can be effectively used as a portable TV with its wide LCD screen.** The new IM-U160 includes a 2.6-inch wide QVGA LCD screen that is said to provide a visually enhanced TV viewing experience for mobile phone users. The IM-U160 has a touch sensor keypad on its upper slide, which allows easy and quick navigation. The touch sensor keypad can also vibrate when its surface is being touched. The visual experience can be further enhanced using the accompanying stereo earphones to function as the TV's antenna, or a separate TV antenna can be combined with the handset if needed. The IM-U160

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



Week of 10 December- 16 December 2006

features a large internal memory of up to 184MB, which can be further expanded with an external Micro SD card, thus ensuring a full use of its multimedia capabilities. Other features include a 2-mega-pixel camera with Auto Focus, delivering high-quality pictures, a PictBridge function, as well as an MP3 player.

- **SK Telecom is expected to be the first mobile service provider in Korea to introduce Blackberry service.** According to industry sources, SK Telecom is currently in talks with Research in Motion (RIM) in Canada to bring in the Blackberry terminals. An SK Telecom official admitted that they are considering introducing a Blackberry service, with the industry believing that the company may introduce the new service as early as the first quarter of 2007. No details about the possible launch date were released. The main point of interest for the industry is how SKT will price its service. The Blackberry device is sold for US\$200 in the US and entitles subscribers to pay an additional data service fee, which makes it expensive for most subscribers. KT Powertel in Korea is currently offering flat rates ranging from 55,000 won (US\$59) to 90,000 won (US\$97) for its 'Voice + PTT' + Blackberry' service.
- **Mobile solution firm IntroMobile announced that it has exchanged a memorandum of understanding with Italia's largest telecom carrier Telecom Italia to co-develop add-on service adopting WiBro wireless Internet technology.** Under the arrangement, the two companies will form a partnership, and co-develop next-generation landline-wireless multimedia add-on services. The two companies said they agreed to adopt IntroMobile's WiBro-based Dynamic Content Delivery, or DCD, as standard and launch a test service in January next year. The DCD platform is a data transmission technology solution optimized for next-generation mobile environment, and is a personalized intelligent service platform used to transmit customized information on portals and multimedia to mobile handsets in Push & Pull type. IntroMobile said that adoption of DCD for global commercial service will likely give a boost to expansion of WiBro mobile solutions. TI is the largest wireless operator in Italy, and has more than 25 million subscribers.
- **LG Electronics announced that it would provide a 3G phone, LG-CU400, which supports PTT (Push to Talk), to the largest U.S telecommunications operator, Cingular Wireless, for the first time.** As LG-CU400 is mounted with a PPT function that integrates cellular phones with radiotelegraphs, users of the device can simultaneously telephone up to 30 persons within a close range such as friends and family members, and colleagues with a push of a button. The phone is also mounted with various kinds of additional functions including camera and camcorder, Bluetooth, speakerphone, voice recording, multi-tasking and many others.

Media, Entertainment and Gaming

- **Fuelled by sales of the hit game Guild Wars Nightfall, the latest release in the award-winning Guild War franchise, sales for one of the world's leading subscription-free online role-playing games have surpassed 3 million units worldwide in a little more than a year and a half.** The report comes from ArenaNet, developer of Guild Wars, Guild Wars Factions, and Guild Wars Nightfall, and NCsoft Corporation, the world's leading developer and publisher of online computer games.
- **BBC World announced signing a deal that will allow it to bring its programs to the South Korean satellite-based mobile broadcasting service TU Media.** BBC World is the first international news broadcaster to create its own block of programs on TU Media, which is Korea's first S-DMB (satellite-based mobile broadcasting) provider. BBC World notes the agreement as a milestone for BBC World as it becomes the first international news channel available to TU Media's

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



Week of 10 December- 16 December 2006

subscribers. TU Media, a subsidiary of mobile telephony service provider SK Telecom, launched its satellite-based mobile broadcasting service in May 2005. It currently has about 1 million subscribers, delivering 15 video channels incorporating drama, sports, games, news, music and movies, as well as 19 audio channels.

Telecommunications

- **LG Telecom announced plans to spend 400 billion won (US\$432.6 million) on infrastructure next year, with the bulk of the investment to be spent on expanding coverage of Revision A service.** The service is expected to be commercialised next year, as well as maintain its existing network. The company expects subscribers to exceed 7 million this year. An official at LG Telecom said that capex plans for Rev A remain "flexible" and will depend on market conditions and competition.

China

Internet

- **Baidu announced entering an alliance with Microsoft Corp, a deal that will allow the software giant to display Baidu search advertising on its MSN, Live and other web sites in China.** According to MSN, China is one of their most important markets, with the strategic partnership giving them opportunities for advertisers. An industry source, however, pointed out that the alliance is not important because MSN is a low-ranking web site in China. According to Alexa, a website traffic ranking service provided by Amazon said Baidu, QQ.com and Sina.com are the most popular sites in China. MSN is ranked No. 9 and its Chinese version, MSN.com.cn, is ranked No. 54. In a separate report, Google and Baidu were reported as developing an online video service in the mainland, an offering similar to YouTube, which was acquired by Google for US\$1.6 billion.
- **A rumor in the local media is circulating that Sohu.com is planning to acquire 21 East, a diversified culture and entertainment firm on the mainland.** 21 East denies the rumor while confirming that it is only working on some cooperation agreement with Sohu.com. 21 East also said that it is considering unveiling new business opportunities by way of fusing its conventional channels with the Internet. Industry analysts indicate that if the acquisition does take place, this will boost Sohu's content and strategies for its own entertainment products.
- **Google has announced that Shanghai Tianqing Information Technology Company will be its newest Google AdWords agent in China.** With the addition, Google now has two agents for its Google AdWords in Shanghai, an indication that analysts see as showing the company's strong demand in the Shanghai market as it usually only has one agent in each region in China. Google also revealed that its income from the agent system has posted sharp growth in recent years, exceeding the income from its direct sales. The company is rumored to be considering the acquisition of an online video-sharing web site in China, which, when consummated, would follow its acquisition of YouTube in the U.S.
- **The Chinese government announced the signing of a memorandum of understanding in Beijing with four U.S. and British industry associations for better protection of online copyright.** The four associations signing the memorandum included the Motion Picture Association of America, the Business Software Alliance, the Association of American Publishers and the Publishers Association of the UK. China's National Copyright Administration of China said that the associations will give the Chinese government a list of products they want to see protected. The

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



Week of 10 December- 16 December 2006

memorandum also includes cooperation on training and the promotion of public awareness between the Chinese government and the associations.

Media, Entertainment and Gaming

- **Yoqoo.com, a Chinese online video sharing web site, disclosed that it has completed a US\$12 million round of private equity funding from Sutter Hill Ventures, Farallon Capital and Chengwei Ventures.** The company is founded by, a former Sohu.com president, Victor Koo. Earlier in June 2006, it launched its beta version, with its official launching to follow this December. Yoqoo said it would tap the fund to boost its research and development and also aims to upgrade its video service standard and push its growth.

Mobile/Wireless

- **CCTV announced the formal launching of a mobile phone TV service with China Mobile and China Unicom.** Under the agreement, CCTV and China Unicom said that they will be partners in the development of new wireless media, such as mobile phone television. The two companies also said they are entering a strategic partnership in reporting and broadcasting for the 2008 Beijing Olympic Games. Under the partnership, China Unicom will be providing all the necessary network equipment, service platform, user services, marketing channels and technical support, while CCTV would be in charge of content creation, management and review. No details about China Mobile's role in the agreement have been revealed.
- **Bird, a Chinese mobile phone manufacturer, announced that it has invested 300 million yuan (US\$38.3 million) for the development of 3G mobile phones.** The company said the move is a response to the coming issuance of 3G licenses in the country. Bird said it has submitted an application to the Ministry of Information Industry (MII) for a TD-SCDMA testing mobile phone license. The company disclosed that it has developed three types of 3G mobile phones all based on TD-SCDMA, China's national 3G standard. Of these three, two have passed the test of MII and are undergoing testing under the trial network of China Mobile, China Netcom and China Telecom.

Software

- **Cisco announced that it has made a strategic investment of US\$50 million in China Communications Services Corporation Limited.** Under the agreement, Cisco and CCW will work together to provide managed telecommunications services to enterprise clients in China. The agreement will also see the two companies provide customers with new network solutions that will cover IP infrastructures, digital video, 3G platforms and applications. CCS is the specialized telecommunications support businesses arm of a major telecommunications group in China, with China Telecom Group, China Mobile and China Unicom as shareholders.
- **CDC Software announced that it has made some investment in Business Intelligence Consulting de Mexico (BI).** The wholly owned subsidiary of CDC Corporation said the development is part of its Franchise Partner Program aimed at helping set up strategic relationships with partners in certain regions. The Franchise Partner Program carries US\$20 million designated for investment in channel partners. Under this program, CDC Software provides direct cash investments, equity investments, and lines of credit, among others, to partners in areas that include the Middle East, Eastern Europe, Latin America, India, China and Asia/Pacific. The Mexican firm is the third partner selected into the Franchise Partner Program in recent months. Under the agreement, CDC Software will acquire a 19 percent equity stake in the company, with the option to acquire 100 percent of the

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



Week of 10 December- 16 December 2006

company in three years. Business Intelligence Consulting is a leader in providing collaborative business solutions for the process manufacturing industry.

Hardware

- **According to its president, TCL Group, the world's biggest TV maker, will post losses at its European TV operations again this year.** The company, however, said it will report its first profits this since year since its acquisition of France's Thomson and Britain's Alcatel in 2004. The company ascribes its losses to TCL's slow response to consumers moving from cathode-ray tube TV sets to flat-screen TVs and the high costs related with restructuring the European business. Thomson lost US\$90 million through its US operations in 2003 and US\$120 million in 2004 but after its restructuring TCL managed to reduce losses to US\$45 million last year and US\$11 million in the first half of this year. In a related development, TCL's Hong Kong-listed TV unit, TCL Multimedia Technology Holdings, reported losses of US\$195 million in the first nine months of this year, a significant deterioration from US\$35 million of losses in the same period a year earlier. Its mobile-phone unit, TCL Communication Technology Holdings, posted US\$1.6 billion in losses in 2005.

Information Technology

- **AsiaInfo Holdings disclosed its move to sell its financial services IT solutions business to Fidelity National Information Services, a major U.S.-based provider of IT services and information products to financial institutions.** AsiaInfo said the move to divest is part of its strategy to concentrate on its core telecommunications software solutions and IT security products and services. Under the agreement, Fidelity has agreed to purchase its financial services IT solutions business in exchange for a maximum cash payment in the amount of approximately 25 million yuan (US\$3.1 million) and with it the assumption of certain liabilities.

Telecommunications

- **Following its commitment to the WTO, China has further opened its policy to the foreign telecom industry by allowing foreign investors to increase their stake in joint venture telecom companies with a local firm from the previous 33 percent to 49 percent.** Upon its entry to WTO, China promised to cancel the limit on foreign invested telecom service in China around 2007 and have foreign investors hold a maximum 49 percent stake in their joint venture with Chinese firms. At present, Chinese telecom operators, including China Mobile, China Unicom, China Netcom and China Telecom each have foreign investors. These foreign investors include Vodafone, SK, Telefonica and Commonwealth Bank of Australia. Telefonica, the second largest shareholder of China Netcom, has increased its stake in China Netcom from 4.9 percent to 5 percent.

Ventures/Investments

- **Market sources said that Beijing Lingtu Software Co, a digital map-making firm, announced plans generate up to US\$150 million in an IPO on NASDAQ or in Hong Kong by 2008.** The company is considered one of the fastest growing location-based service providers in China. It makes maps for the Internet, cell phones and car navigation systems, among other things, for the domestic market. Several venture capital firms led by Shanghai-based Gobi Partners fund Lingtu. Beijing Lingtu was founded in 1999 with registered capital of 50 million yuan (US\$6.3 million). It received its first funding from Beijing Venture Capital Co, which invested 6.8 million yuan (US\$869,000), while an individual investor injected 1.2 million yuan (US\$153,000), but Beijing Venture Capital has since been replaced by other institutional investors. Gobi Partners and Japan's NTT DoCoMo brought in a

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



Week of 10 December- 16 December 2006

second helping of venture capital in 2003 and 2004. Earlier in May this year, Lingtu received a US\$30 million injection from a Gobi Partners-led group that included Oak Investment Partners.

- **Huawei Technologies and ZTE Corp disclosed plans to enter emerging markets such as Russia, India, Indonesia and Brazil in a bid to drive up annual overseas sales by 40 to 50 percent.** Huawei predicts its sales making a 34 percent rise to US\$11 billion this year and a further 36 percent to US\$15 billion next year. Huawei said overseas markets represent about 65 percent of its total sales this year, compared with 58 percent last year. Huawei, whose customers include Spain's Telefonica, BT Group, Vodafone Group and China Mobile, expect to increase handset sales by 50 percent next year to 30 million units from 20 million handsets this year. It will also sell 1.5 million wireless receiver cards for laptops. Huawei has also boosted its sales by selling fixed wireless terminals, which are similar to traditional fixed-line telephones but transmit voice and short messages by antenna. The company offers access to developing countries such as India, Pakistan, Indonesia and Bangladesh. ZTE, in October reported a 5.9 percent growth in sales to US\$1.8 billion for the nine months to September compared with the same period last year, which was boosted by strong overseas sales.
- **A top official of Siemens China announced that the company will add 10 billion yuan (US\$1.2 billion) worth of mid-term investment to the China market in a bid to double its sales revenue in the country by 2010.** Siemens China disclosed that the investments will be mainly for gas and oil resources, as well as medical projects in the rural areas of the country.

Taiwan

Semiconductors

- **A lawsuit filed by one of its customers stopped 3Cems Corp, the printed circuit board (PCB) making unit of Taipei-listed FIC Global, from going on with its almost HK\$707 million (US\$91 million) IPO.** A market source said the lawsuit was the main reason for the cancellation, with most fund managers canceling their orders. The report said the suit stemmed from the deal made by 3Cems with Soft View International on the production of DVDs. Softview said it sued 3Cems for HK\$113 million (US\$14.5 million) after it found out later that the company did not have a license to manufacture the disks. Taiwan Securities and Japan's Daiwa SMBC acted as co-lead managers for the share sale. The PCB maker will have to file at least three months' worth of updated financial information to the Hong Kong stock exchange if it wants to sell shares in Hong Kong again. The firm had planned to raise up to HK\$262 million (US\$33.7 million) from a Hong Kong share sale in January last year, but it scrapped that deal just two days ahead of its intended trading debut due to a dispute with the offering's sponsor, DBS Capital, over the final price of the shares. The firm said it would use the proceeds from the IPO to acquire machinery to build a production plant and for general working capital.

Internet

- **Yahoo's wholly owned subsidiary Yahoo!Kimo announced signing an agreement to acquire WRETCH, a Taiwanese social media content provider of weblogs and online photo album services.** The acquisition is expected to combine Yahoo!Kimo's global network of resources with WRETCH's local multi-media content to deliver a superior social media experience to Taiwan consumers. Yahoo!Kimo said the parties expect to complete the acquisition process during the first quarter of next year. The agreement says the WRETCH's brand name and services will remain

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



Week of 10 December- 16 December 2006

unchanged even as the two companies aim to improve the online photo album and blog services for the 6.5 million users who currently visit WRETCH every month. Financial details were not disclosed but industry sources placed the value of the transaction at about US\$22 million.

- **GigaMedia, a Taiwan provider of broadband Internet-based value-added services and contents, announced that it has secured an operating franchise for the upcoming Hellgate: London on-line RPG (role-playing game) developed by U.S.-based Flagship Studios.** Valued at some US\$9 million, the operating franchise covers Taiwan, Hong Kong and Macao. The company said that along with a distributor of online games Cybergate, it plans to establish U.S.-based joint venture Dragongate Entertainment to operate the game in the three markets. The joint venture will later establish a branch in Taiwan. GigaMedia noted that the game will be operated by its subsidiary FunTown, a leading producer and operator of online games in Taiwan. Hellgate: London is expected to launch in mid-2007. According to FunTown, in Taiwan it's predicted to attract more than 300,000 members and over 100,000 concurrent players in the first three months. In a separate development, GigaMedia Limited announced that its leading casual games portal FunTown has entered into a strategic cooperation agreement with Yahoo! Taiwan Inc. designed to enhance the entertainment and community offerings of both portals.

Hong Kong

Mobile/Wireless

- **The rumors that Hutchison Whampoa may be selling its loss-making 3G mobile-telephone business in Britain and Italy to mainland telecommunications operators have caused the shares in the company to rise.** China Mobile and Hutchison both denied the report with a Hutchison spokesperson saying that the company will not issue a statement. Other rumors point to China Telecom, the mainland's largest fixed-line operator, as having plans to acquire Hutchison's 3G business in Italy. The rumor came by way of an email containing an attachment of a fake filing to the U.S. Securities and Exchange Commission carrying China Telecom's logo and dated January 3, 2007. The attachment, which followed the format of an official filing, said China Telecom would acquire 15 percent of 3 Italia shares on March 31, 2007, for a cash consideration of HK\$9.4 billion (US\$1.2 billion). Hutchison has been selling other assets as it continues to make a loss on its global 3G business, which had 13.5 million users across nine countries in August.

Information Technology

- **COL, an IT-services subsidiary of Hong Kong fixed-line telecommunications operator Wharf T&T, revealed its plan to build a network of business-continuity centers in China geared at serving the mainland's growing multinational financial services community.** The centers are planned for Beijing and Guangzhou, following the inauguration in Shanghai last month of an expanded COL facility. Founded in 1972, COL said that for many years it controlled about 80 percent of the market in Hong Kong for business-continuity services aimed at local banks and multinational financial services institutions. Business-continuity services provide disaster recovery and business continuity solutions in the event of service disruptions. In Hong Kong, there are more than 100 such companies in operation. COL estimated that there are about 50 such companies in Shanghai, 40 in Beijing and 25 in Guangzhou.

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



Week of 10 December- 16 December 2006

Singapore/Malaysia/Philippines/Indonesia

Telecommunications

- **First Pacific Co and NTT DoCoMo of Japan revealed that they are considering a joint bid for the Philippine government's stake in Philippine Long Distance Telephone (PLDT), a dominant carrier in the country.** Philippine Telecommunications Investment Corp. (PTIC), which is 46 percent owned by the government, holds a 14 percent stake in PLDT, which is run by Hong Kong-based First Pacific. An investment firm already led by Parallax Venture Fund XXCII has made a bid of 25.2 billion pesos (US\$510.5 million) for the government's entire 46 percent stake in PTIC after the government put it on the auction block. First Pacific owns the remaining 54 percent. The report said that First Pacific has the right of first refusal over other PTIC shares.

Information Technology

- **Standard Chartered PLC (Standard Chartered) and First Data Corp., a leader in electronic commerce and payment services, announced the signing of an agreement to jointly establish a new company to provide merchant acquiring services to merchants across Asia.** Headquartered in Singapore, the new company called Merchant Solutions Pte Ltd., with its local subsidiaries in seven initial markets across Asia, will support Standard Chartered merchant clients with an expanded range of First Data products and services for debit and credit cards, as well as additional forms of electronic payments. The agreement will see Merchant Solution providing sales support with First Data supplying front-end and back-end switching services. Merchant Solutions aims to deliver enhanced payments capabilities to Standard Chartered merchant clients from seven initial markets in Asia including Bangladesh, Brunei, Hong Kong, India, Macau, Singapore and Sri Lanka by converting to First Data's global merchant processing platform, OmniPay, in about 9-12 months. China and Malaysia are also priority markets. Standard Chartered and First Data intend to deploy the alliance to other Asian and Middle Eastern markets.

United States/Canada

Internet

- **E-Trade said it expected a profit of between US\$1.6 next year on revenue between US\$2.7 billion and US\$3 billion.** The company will take a series of one-time gains this year after unwinding a number of investments, including its stake in E-Trade Japan. E-Trade has traditionally focused on retail investors but is now trying to capture new sources of earnings growth by targeting assets of the "mass affluent" - those with US\$50,000 and US\$500,000 to invest - who are considered to be underserved by traditional brokerage houses like Merrill Lynch and Morgan Stanley. The E-Trade president also said the company wanted to expand internationally, where it currently derives about 10 percent of its business, with the company aiming to boost that portion to 30 percent by 2010 by building out European operations. E-Trade said it expects to launch or acquire a bank in Britain this year. Its plan includes enabling customers by the second quarter to be able to directly trade stocks in some foreign markets.
- **IBM and Yahoo announced entering a partnership under which they will be offering a free data-search tool for businesses, a move that analysts see as a directly competing with Google and other similar firms.** IBM already sells a business-focused search product, OmniFind, that lets organizations comb through internal documents. Industry analysts see Google as dominant at the

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



Week of 10 December- 16 December 2006

lower end of the market, with its so-called search devices that begin at US\$2,000 and goes up to US\$30,000. Sources said that IBM and Yahoo are aiming at the same range.

- **Online music retailer eMusic disclosed that it has registered its 100 millionth digital music download this week, hitting a milestone only after three years since the service was launched.** This compares with the 1 billion tracks sold in about the same time by the digital music leader, Apple Computer's iTunes Music Store. EMusic, a unit of New York-based Dimensional Associates, offers downloads through a subscription plan. The company said the service has more than 220,000 subscribers. The service racked up its first 50 million downloads a year ago. The privately held company declined to disclose financial details. The service has managed to attract paying customers with a catalogue of more than 2 million tracks by independent artists. Online music stores run by Napster, RealNetworks, Yahoo, Apple and others sell music from major-label acts.
- **Salesforce.com disclosed plans to open an online store that would provide a single place for companies to try, buy, and deploy applications from Salesforce.com partners, a move that increases the firm's role as an e-commerce hub.** Instead of having customers link up with individual partners, AppExchange will offer potential buyers the ability to search and try using the software, and then to buy and deploy it. The hub has 430 applications from 230 partners. In addition, Salesforce.com would offer partners marketing and e-commerce services for a fee. For partners, the AppStore program offers the chance to buy into Salesforce.com's marketing operation and e-commerce platform. The first offering, set to launch in the first quarter of next year, would provide premium placement on searches and AppExchange categories, as well as the opportunity to participate in joint sales events.

Media, Gaming and Entertainment

- **CBS Corp. announced the revival of its legendary CBS Records music label to supply its television shows with less expensive music and to generate digital sales.** The company said it entered a deal with Apple Computer Inc.'s iTunes online music service to sell the label's music and videos. The new CBS Records aims to tap unsigned musicians who write and perform their own songs that will be used and promoted on prime-time TV shows, a move that is expected to help the company lessen the licensing fees for using music from other labels on its shows.

Software

- **Adobe Systems posted a record fourth-quarter revenue and a 16 percent growth in profit, results the company ascribed partly to strong sales of the newest version of its digital document software Acrobat.** The company said its net income for the three months to December 1 climbed to US\$181.8 million from US\$156.2 million in the same quarter of last year. Its quarterly sales went up by 34 percent to a record US\$682.1 million, from US\$510.3 million in the fourth quarter last year. Excluding costs for expenses such as restructuring charges related to the acquisition of Macromedia in December 2005, profit for Adobe was placed at US\$196.9 million. The company said its net income for the present financial year posted a 16 percent decline to US\$504.4 million from US\$602.8 million. It placed its annual sales at US\$2.5 billion, up from US\$1.9 billion previously. Company officials said that the company is seen as reporting revenue of US\$640 million to US\$670 million in the present quarter. The company makes graphic design, publishing and imaging software.

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



Week of 10 December- 16 December 2006

Europe

Media, Entertainment and Gaming

- **Private equity groups Kohlberg Kravis Roberts (KKR) and Permira revealed their decision to acquire a majority stake in ProSiebenSAT1, a German commercial TV group, in a deal estimated to be worth some 3 billion euros (US\$4 billion).** Under the agreement, Lavena Holding, controlled by the two private equity groups, will buy from a group of investors about 88 percent of common shares at 28.7 euros per share (US\$35.7) and 13 percent of preferential shares at 22.4 euros (US\$29.3) per share. The deal is expected to give the KKR and Permira 50.5 percent of ProSiebenSAT1's capital and 88 percent of voting shares, with the companies saying they planned to later make a public offer for publicly listed shares. A confirmation was also made about the decision of the two companies to merge ProSiebenSAT1 with Luxembourg-based television group SBS, a firm recently acquired by KKR and Permira. The region's state premier said that a combination of ProSiebenSAT1 with Luxembourg-based television group SBS would transform Munich to one of the top centers in the European media industry.

Mobile/Wireless

- **According to the country's regulatory authority, the German auction for 28 broadband wireless access (BWA) or Wimax licenses raised a total 56 million euros (US\$74 million).** Out of a total six companies in the running for the 28 regional licenses, three bidders were successful, namely Luxembourg-based Clearwire Europe and German companies Deutsche Breitbanddienste (DBD) and Inquam Broadband. Unlike in France where bigger players joined the bidding, the telecom giant in Germany, Deutsche Telekom, opted not to participate, preferring to pursue other technologies instead. The French Wimax auction raised 125 million euros (US\$163.7 million) for the government, with most of the bigger players in the bidding.

Hardware

- **Electronics manufacturers threatened legal action to in a bid to compel European governments to drop an extra charge on iPods and blank CDs after EU regulators backed off from a plan to reform copyright levies.** Artist rights groups in most European countries charge copyright fees on blank discs, data storage and music and video players. The money is used to compensate artists and copyright holders for legal copying, with a portion of the money used in some countries to support cultural events. Manufacturers see the levies as unfairly pushing up the retail price of their products.

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



Week of 10 December- 16 December 2006

Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 12/15/06)	% Change 1 Week Ago	% Change 1/1/2006	% Change 1/1/2005	% Change Last 12 Mth.
Japanese yen	¥/US\$	118.1700	1.6%	0.4%	15.1%	1.7%
Hong Kong dollar	HK\$/ US\$	7.7715	0.0%	0.2%	0.0%	0.2%
Chinese renmenbi	RMB/ US\$	7.8275	0.0%	-3.0%	-5.4%	-3.1%
Singapore dollar	S\$/ US\$	1.5423	-0.2%	-7.3%	-5.5%	-7.5%
South Korean won	KRW/ US\$	922.7000	0.3%	-8.6%	-10.9%	-8.9%
New Taiwan dollar	NT\$/ US\$	32.5700	0.6%	-0.8%	2.6%	-2.0%
Australian dollar	US\$/A\$	0.7815	-0.5%	6.6%	0.2%	4.4%
New Zealand dollar	US\$/NZ\$	0.6900	0.4%	0.9%	-3.9%	-0.5%
Philippine peso	PHP/ US\$	49.2650	-0.7%	-7.2%	-12.4%	-7.3%
Euro	US\$/€	1.3081	-0.9%	10.4%	-3.5%	9.2%
British pound	US\$/£	1.9523	-0.1%	13.3%	1.8%	10.6%

Fixed Income Prices and Yields

Note	Currency	Current (on 12/15/06)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	96.5781	4.72%	97.4844	4.60%	97.0000	4.69%
Japan 30-year	¥	104.4185	2.21%	104.5960	2.21%	101.4940	2.41%
Hong Kong 10-year	HK\$	107.9975	4.36%	108.5659	4.36%	108.0650	3.85%
China (06/16)	US\$	113.7822	3.01%	113.8994	2.99%	114.5000	2.94%
Singapore 10-year	S\$	101.3790	3.10%	101.9340	3.08%	100.9890	3.16%
South Korea 20-year	US\$	109.5782	5.10%	110.7133	4.99%	109.9720	5.03%
Australia 15-year	A\$	152.0255	2.50%	153.2915	2.44%	153.4770	2.39%
New Zealand (12/17)	NZ\$	101.8763	5.76%	102.2648	5.73%	102.2270	5.73%
Philippines 20-year	PHP	137.2305	7.87%	136.6450	7.83%	135.7000	7.91%
India 30-year	INR	95.5437	7.79%	97.3083	7.62%	96.1433	7.74%
UK 30-year	£	101.1580	4.19%	102.5130	4.08%	103.3100	4.06%
Germany 30-year	€	101.4050	3.89%	102.5180	3.84%	103.1510	3.82%

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