

IRG WMR



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

Week of 3 June - 9 June, 2007

For more information on IRG, please email communications@irg.biz or visit www.irg.biz.

Hong Kong (HQ)

No.1-2A, 17/F, The Centrium,
60 Wyndham Street, Central,
Hong Kong

Tel: (852) 2237 6000
Fax: (852) 2237 6100

Singapore

5 Rhu Cross, #04-16
Olivia Block, Singapore
437434 Singapore
Tel: (65) 6325 1191
Fax: (65) 6348 9583

Japan

JT Building 15Fl, 2-2-1
Toranomom, Minato-ku,
Tokyo, Japan 105-0001
Tel: (813) 5114 8395
Fax: (813) 5114 8396

Korea

37/F, Asem Tower, Samsung-
dong, 158-1, Kangnam-gu,
Seoul, Korea
Tel: (822) 6001 3840 ext. 3841
Fax: (822) 6001 3711

Philippines

2/F, State Condominium Bldg.,
186 Saclcedo St. Legazpi Village,
Makati, Philippines
Tel: (632) 728 5307
Fax: (632) 728 5307

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Equity Market Indicators					
Index	Closing Level (6/8/2007)	% Change 1 Week Ago	% Change 1/1/2007	% Change 1/1/2006	% Change 2006 Low
S&P 500	1,507.67	-1.9%	6.3%	20.8%	23.2%
Dow Jones Industrial Avg.	13,424.39	-1.8%	7.7%	25.3%	25.8%
Dow Jones Tech. Index	437.91	-0.9%	6.1%	16.7%	29.9%
Dow Jones Telecom. Index	287.16	-2.8%	10.4%	42.4%	42.7%
NASDAQ Composite	2,573.54	-1.5%	6.6%	16.7%	27.4%
The Street.com Net	268.55	-1.5%	8.6%	27.7%	39.5%
Japan Nikkei 225	17,779.09	-1.0%	3.2%	10.4%	25.0%
JASDAQ	80.57	-0.6%	-6.5%	-38.1%	-0.3%
Japan Mothers	901.03	1.7%	-18.9%	-64.6%	-10.7%
Korea KOSPI Composite	1,727.28	0.6%	20.4%	25.2%	43.5%
Korea Kosdaq	760.63	2.4%	25.5%	10.0%	41.1%
Taiwan Stock Exchange	8,300.71	0.6%	6.1%	26.8%	32.6%
Singapore Straight Times	3,491.59	-1.6%	16.9%	48.7%	53.1%
Hong Kong Hang Seng	20,509.15	-0.5%	2.7%	37.9%	37.2%
Hong Kong GEM	1,651.63	2.1%	34.9%	64.0%	64.3%
China Shanghai (A-Share)	4,103.75	-2.2%	45.8%	236.1%	230.4%
China Shenzhen (A-Share)	1,198.32	1.4%	110.4%	313.1%	306.3%
China Shanghai (B-Share)	288.45	2.2%	121.7%	365.1%	358.4%
China Shenzhen (B-Share)	672.02	3.0%	55.1%	243.5%	237.3%

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
6/7/07	Spreadtrum Communications [SPRD.US] (NASDAQ)	Telecom	US\$100.0	Designs, develops and markets baseband processor solutions for the wireless communications market	Lehman Brothers/ Morgan Stanley	Needham & Co./ Piper Jaffray

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NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 6/8/07	% Change From Offer
6/7/07	Limelight Networks [LLNW.US] (NASDAQ)	Content delivery network for Internet distribution of video, music, games and downloads	US\$172.8	US\$15.00	US\$22.18	47.8%
6/7/07	Yingli Green Energy [YGE.US] (NYSE)	Designs, manufactures and sells PV systems and PV modules for alternative energy companies	US\$377.0	US\$11.00	US\$10.50	-4.5%
6/6/07	Infinera Corp [INFN.US] (NASDAQ)	Manufactures digital optical telecom equipment to carriers, data providers and cable operators	US\$168.0	US\$13.00	US\$25.16	93.5%
6/5/07	Starenet Networks [STAR.US] (NASDAQ)	Provides network infrastructure solutions that enable mobile operators to deliver multimedia services	US\$115.8	US\$12.00	US\$14.77	23.1%

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 6/8/07	% Change From Offer
6/8/07	Ta Yang Group [1991.HK] (HKSE)	Designs and manufactures silicone rubber input devices used in consumer electronics	US\$179.0	HK\$3.50	HK\$3.75	7.1%

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
6/8/07	Tae Gwang E&C [048140.KS]	Manufactures integrated control systems for wire/wireless remote monitoring and control systems	6/25/10	US\$6.4	2,403 shares	5/25/10
6/6/07	CMC Magnetics Corp. [2323.TT]	Manufactures and markets digital storage media and magnetic disks	6/8/12	US\$75.0	29,411 shares	5/28/12
6/5/07	Innobitz Inc. [056850.KS]	Manufactures portable hard disk drives	6/14/10	US\$2.1	8,130 shares	5/13/10
6/5/07	C&S Technology [038880.KS]	Develops and manufactures various chipsets used in wireless and multimedia communications	6/20/12	US\$6.5	1,968 shares	5/20/12

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Weekly Highlights

International

Internet

- **According to Hitwise, an online competitive intelligence service, retail web sites generate 25 percent of their traffic from search engines.** The report noted a positive correlation between the quantity of information retailers provide on the web and the likelihood of more customers shopping at their stores and accessing their sites. Hitwise said search engines increased their role in sending visitors to shopping and classified web sites by 0.7 percent from May 2006 to May 2007, with Google sending the most traffic. According to Hitwise, one-word searches, including domain and URL searches, accounted for 23.7 percent of search terms sending traffic to shopping and classified web sites. The report noted that a 20 percent rise in one-word searches since May 2005 signals a growing use of search toolbars as a primary means of navigating the world wide web. Social networking sites also drive a small percentage of upstream visits to shopping and classified web sites, but they increased their role over the past year. According to Hitwise, the 20 top social networking web sites increased their influence on retail and classified visits by 86.7 percent from May 2006 to May 2007.

Software

- **An IDC report states that stand-alone, open-source software is set to become an industry worth some US\$5.8 billion by 2011, compared to its 2006 value of US\$1.8 billion in 2006.** The rise stands for a compound annual growth rate of 26 percent over that time period. According to IDC, some of the reasons for the climb include increased interest in open-source software as a tool for dealing with proprietary software vendors, a boost in financial backing of open source by venture capitalists, and acceptability of a subscription-payment model. The report also noted that the industry is getting more interested in open-source software in general. Significantly, IDC stated that revenues for open-source software companies will lag behind the adoption of the software itself.

Japan

Media, Entertainment and Gaming

- **Nikoli Co., a Japanese publisher of logic puzzles and the popular game sudoku outside of Japan, announced its entering into a partnership with U.S.-based Sterling Publishing Co. in a bid to firmly establish its brand as a logic puzzle company.** Sterling Publishing is a subsidiary of Barnes & Noble Inc, the largest book store chain in the U.S. Nikoli said it has received several offers to form a partnership from U.S. publishers but opted for Sterling because its books are more likely to be sold at Barnes and Noble stores.
- **Microsoft Corp. and Namco Bandai Games Inc. announced the unveiling of the Pac-Man video game title's new version in the U.S., making the product the first update in about 27 years.** Microsoft said the new version, called the Pac-Man Championship Edition, is for use only on the Xbox 360 console and will be available at US\$10 on the Internet. The original video game came out in 1981 and soon became one of the most popular games in the world.
- **Sony Corp.'s game unit revealed its plans to slash jobs in the U.S. as it looks to streamline its operations in Japan as well as in the U.S.** The plans are seen as part of the company's effort to

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compete with Nintendo, its industry rival. Sony's game division reported an operating loss of 232 billion yen (US\$1.9 billion) for the year ending March 31, which the company ascribed to start-up costs for the PS3. Despite this, investors are hoping for Sony's recovery in the game market to allow it to get back its investment. The game unit has about 4,500 employees worldwide. For over a decade, Sony dominated the US\$30 billion global game industry with the original PlayStation and PlayStation 2. Demand for the PS3, however, has been slow so far, given its high price tag and the limited availability of attractive software titles. In May this year, the PS3 sold just 45,321 units in Japan, compared with 251,794 units of the Wii.

Internet

- **Following the recommendation of the Securities and Exchange Surveillance Commission (SESC) to impose sanction against Rakuten Securities, the Financial Services Agency disclosed that it is considering what steps to take.** Rakuten, the country's biggest web-based shopping mall operator, is being blamed for recurring system problems.
- **According to the country's Ministry of Internal Affairs and Communications, the total of optical fiber line-based broadband subscription contracts in Japan reached 8.8 million as of March 31, a figure that surpasses the 8 million ceiling for the first time.** The ministry said the figure shows an additional 863,499 contracts from three months earlier, compared to a fall in subscription contracts for asymmetrical digital subscriber line-based services. Optical fiber line-based Internet hookup service provides much faster data transmission speed than ADSL line-based service. The number of ADSL contracts dropped by 222,688 during the January-March period to 14 million for the fourth consecutive quarterly fall. Industry observers see the figure as showing the trend of a growing number of Internet users shifting from ADSL services to fiber-optic contracts.
- **Apple announced the availability of the Warner Music Japan catalog to users by way of iTunes Store in Japan.** The agreement gives users access to a more than 4 million tracks offered by Japan's iTunes store, with over 90 percent of the tracks priced at 150 yen (US\$1.2) per song. Apple disclosed that over 2.5 billion songs were bought and downloaded from the Japanese store.
- **A joint statement made by the two companies announced the acquisition by Orix Corp., a leasing company, of Internet Research Institute Inc. (IRI) a wholly owned subsidiary through an equity swap in November.** The two companies described the deal as aimed at "creating new added values and expanding customer services" by combining financial services and information technologies. Orix is listed on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange. Following accounting irregularities at a subsidiary, IRI is currently on the liquidation post of the Mothers startup market on the TSE awaiting delisting on June 24 due to its failure to secure an auditor's statement for its earnings report for the first half of the 2006 business year.

Mobile/Wireless

- **NTT DoCoMo, Inc. and Research In Motion (RIM) jointly announced Japanese-language support for the BlackBerry 8707h smartphone, which is available in Japan via DoCoMo.** Industry analysts said the addition of Japanese-language support for the BlackBerry 8707h is expected to please customers who are interested in deploying BlackBerry smartphone in Japanese-language environments. With the offering, users will be able to compose and read Japanese e-mails, browse Japanese websites and input Japanese text for personal information management (PIM) applications, with a Japanese user interface also available in the service. The launch of Japanese-language support will also include the localization of BlackBerry Enterprise Server and BlackBerry Desktop Manager. The localized BlackBerry software is expected to be available beginning this summer and will be pre-

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loaded on the BlackBerry 8707h. In a separate development, NTT DoCoMo Inc. announced its plans to make a US\$3 million investment in a unit of Zenrin Co. Ltd., a digital mapmaker that provides services for drivers who navigate unmarked streets or for finding other mobile phone users. NTT DoCoMo said it aims to acquire a 10.2 percent stake in that unit.

Hardware

- **According to industry sources, Matsushita Electric Industrial Co. Ltd. disclosed that it is discussing with Kenwood Corp. regarding the sale of its stake in JVC following what it described as a failure in negotiation with Texas Pacific Group, a U.S. private equity firm.** Several sources indicated that Kenwood, a maker of audio equipment and car electronics, is in talks to buy 20 billion yen (US\$165 million) worth of new shares from JVC and then merge operations with JVC under a joint holding company. Under the deal, Matsushita would then sell part of its 52.4 percent stake in JVC to the holding company. According to a Kenwood spokesperson, the company sees the merger as an option given the intense competition in the electronics industry. The sources said Kenwood has already secured a 70 billion yen (US\$575 million) credit line from its banks for the deal, and it is possible that Sparx Asset Management Co., an investment firm that holds Kenwood shares, would participate in the deal. Matsushita could not be reached for any comment.
- **According to media sources, Sharp Corp., the world's largest maker of LCD televisions, filed a suit against HannStar Display Corp. of Taiwan claiming infringement of four patents covering LCD technology.** According to the filed complaint, HannStar is using Sharp's inventions without permission and should be ordered to stop, with Sharp asking the court for cash compensation. In a statement, Sharp said it forged a technology licensing agreement with HannStar in January 2003 covering LCD panels. The deal, however, expired on December 31, with the Taiwanese company failing to pay all licensing fees due. In January 2006, Sharp sued HannStar in the Tokyo District Court, with the court issuing a judgment in favor of Sharp in December 2006. The case remains pending following HannStar's filing of an appeal.

Ventures/Investments

- **Fujitsu Ltd. announced its plan to create about 5,500 new jobs at an offshore services centre in India, a move that comes with the company setting its eye on the fast-growing IT markets.** Fujitsu said the move would boost the number of employees at its business in India to 8,500 by 2009 from about 3,000 currently. With the move, Fujitsu said it is aiming to post more than 40 percent growth in its overseas sales over the next three years from 36 percent last year. The company said it is looking to expand its global alliances through partnerships with SAP and Microsoft and boost its operating profit margin to 5 percent by March 2010 from 3.6 percent now.
- **Market sources indicate that Sumitomo Mitsui Financial Group has become the front-runner in negotiations to buy a large number of shares in OMC Card Inc., a subsidiary of major supermarket chain Daiei Inc.** The OMC sale is expected to bring in about 100 billion yen (US\$821.5 million), with Daiei stating that it will use the profits from fund to reduce its debt. With the deal, SMFG would become the principal shareholder, boosting its position in the retail market by linking the OMC credit card with firms under its umbrella, such as Sumitomo Mitsui Card Co. and Central Finance Co. At present, Daiei holds an approximately 52 percent controlling stake in OMC, and is planning to sell 30 percent of its share. Daiei will make its official decision within the month. Earlier in April, the first round of bidding narrowed the bidders to SMFG and Shinsei Bank, Ltd. The second round of bidding is expected to take place later this month, with Daiei making an official decision after evaluating the offers made.

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Korea

Internet

- **According to one of its top officials, Daum Communications Corp., South Korea's No. 2 Internet portal operator, is currently discussing with Google Inc. for further cooperation in areas where the two can work together.** Even as early as May this year, Daum already was quoted as saying it was interested in boosting its cooperation with Google to “create synergy in business.”

Mobile/Wireless

- **SK Telecom announced the launching of its planned contactless mobile-payment service, enabling subscribers with certain phone models to download a credit application and tap the phones to make retail purchases.** SKT said subscribers will be able to pay with the new contactless service at up to 80,000 readers connected with point-of-sales terminals at convenience stores, bakeries, bookstores and other merchant locations in South Korea. SKT said it expects that to increase to 150,000 readers by the end of the year. A credit application, from LG Card is the first to become available to subscribers for download. In a separate development, KTF said it also plans to launch a contactless mobile-payment service, this year, enabling subscribers to download applications to the SIM. Industry observers said LG Telecom, the country's No. 3 major mobile operator, is likely to join in.
- **SK Telecom Co. revealed that it is considering providing search-based advertising for its mobile phone users, one that is powered by Google Inc.** The head of SK Telecom's search department said the company is looking to initiate Google's mobile-search ads on its wireless Internet network during the second half of this year. As of February this year, SK Telecom has already employed Google's search engine for its wireless Internet service, although it has yet to offer the mobile-search ads.

Software

- **Industry sources say Microsoft has secured another cross-licensing patent agreement, this time with South Korea's LG Electronics, covering the company's Linux-based embedded devices.** Under the deal, LG, one of the world's largest electronics companies, can use undefined "patented Microsoft technology" in its products, including Linux-based devices. The agreement also covers intellectual property contained in other hardware and software products, such as game consoles. Earlier, Microsoft entered into similar deals with Xandros, Novell, Samsung, and Fuji Xerox. As with the latest agreement, Microsoft did not detail just what patents LG was licensing. LG also did not disclose if its Linux-based devices violated any Microsoft patents. As part of the deal, Microsoft will have access to LG patents that cover computer architecture utilized in game consoles and other products and will license other LG patents that are owned by the England-based system integrator MicroConnect Group.

Hardware

- **LG Philips LCD revealed that it has not received any confirmation about media reports indicating that Royal Philips Electronics NV is set to sell a 14 percent stake in the panel maker to Toshiba Corp.** LG Philips LCD is a joint venture between South Korea's LG Electronics and Royal Philips Electronics NV, in which LG holds a 37.9 percent stake and Philips holds a 32.9

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percent stake interest. Earlier, the two companies agreed to maintain their holdings in the venture to at least 30 percent each until July 2007.

Telecommunications

- **Shin Satellite announced the expansion of its satellite broadband services to South Korea and Japan following the signing of a deal with a leading VSAT operator in South Korea and the finalization of another this month with Japan's leading fixed and mobile phone operator.** The SET-listed satellite affiliate of Shin Corporation said that the two agreements should help the company earn 2 billion baht (US\$61 million) in revenue annually once full-scale services are provided. According to an official, Shin Satellite signed a deal with South Korea's OCL to invest in an iPSTAR gateway in South Korea using spot-beam technology, as the technology is said to be suitable for covering a relatively small portion of the earth's surface, such as South Korea. As the OCL has an operating license, it is expected to boost Shin Satellite with technical support as well as negotiate any policy matters with the Seoul government. On co-operation with Japan, Shin Satellite said it would enter an agreement with one of the top three fixed-line and mobile phone operators. Shin Satellite provided satellite bandwidth of 600-700 Mbps in the South Korean market, he said. But in Japan where demand is high, one gateway would provide three spot beams with bandwidth of 3,000 Mbps. Shin Satellite said it had been negotiating with at least seven operators in Korea and finally chose OCL. In the third quarter, the company said it is planning deals in Malaysia, Indonesia, the Philippines and Taiwan.
- **KT, the country's leading telecommunications service provider, LG-Nortel and Nortel announced their launching of a joint collaboration initiative at KT's Mobile WiMAX Service Conformance Verification Center (SCVC) in Seoul, South Korea.** LG-Nortel is a joint venture of LG Electronics and Nortel. The center's laboratory provides a venue for customers and other third parties to evaluate the compliance of their products with Mobile WiMAX standards as well as test applications and equipment from different manufacturers for seamless communications. Under the agreement, LG-Nortel and Nortel will supply and install Nortel's innovative Mobile WiMAX technology at the center, and provide ongoing technical support. The center is also expected to facilitate KT's own transition from existing Single Input / Single Output (SISO) to next-generation Multiple Input / Multiple Output (MIMO) antennae. The shift is seen as enabling KT to take advantage of the benefits of MIMO technology, which includes high bandwidth, improved range, and high mobility at a lower cost.

Semiconductors

- **Following the news that it has plans to sell its 200mm wafer production line to Taiwan Semiconductor Manufacturing Company (TSMC), the stock price of Hynix Semiconductor Inc has been noted by observers as rising.** According to CLSA Asia-Pacific Markets, there is an ongoing talk between TSMC and Hynix on the deal. A Hynix spokesperson said they have several buyers although the company has not yet made any final decision on which suitor to favor. Industry sources indicate that as of the beginning of this year, the price of some key chips has registered a decline by more than 70 percent.

Information Technology

- **According to the country's Ministry of Information and Communication, South Korean exports of information technology (IT) goods registered more than 4 percent growth in May compared to what it posted in the same month last year.** The report attributed the rise to

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overseas sales of display products. The ministry said the country's companies made a shipment valued at US\$9.4 billion.

China

Internet

- **Baidu.com issued a denial about the news that it has plans to expand into Europe, with the company calling the rumors “groundless.”** Earlier, media sources in Europe indicated that Baidu's CFO has planned to announce details of a European expansion. Though Baidu's business is concentrated in China, the company has launched a Japanese search engine, which marks its entry into the international market. With the launch, Baidu also stated its plan to spend some US\$15 million on its Japanese site in 2007.
- **Amazon announced its plans to up its investment in Joyo.com, one of China's leading online shopping web sites.** Following Amazon's acquisition of Joyo for US\$75 million, the Chinese company has been registering faster growth even as it still lags behind its main rival, Dangdang.com. The first quarter of 2007 showed Dangdang grabbing about 18 percent of the country's B2C Internet Retailing market, compared with Joyo's 12 percent share. At present, Amazon generates 54 percent of its sales outside the U.S. According to Analysys International, China's B2C market hit 1 billion yuan (US\$133 million) in the first quarter, compared with the 854.3 million yuan (US\$111.6 million) it posted a year earlier.
- **According to media sources, Tom Group and Tom Online have jointly announced plans to postpone a special court meeting and a shareholder meeting scheduled to tackle the privatization of Tom Online.** The reports described the postponement as an effort on the part of the company to give its shareholders more time to think about the privatization move. In March this year, Tom Group divulged plans to have Tom Online privatized. The same plans were approved through a privatization resolution that received a 99.3 percent approval from the company's shareholders at a special meeting.

Mobile/Wireless

- **Following the announced cuts of more than three thousand employees worldwide earlier this year, Motorola has announced plans to cut some 4,000 more jobs globally.** The decision to do so, according to the company, is aimed at improving its overall operation. The report did not indicate if the workers will be affected in China, although it indicated that Motorola China might feel the impact of the staff reduction overseas. The director of Motorola China's Communications and Public Affairs Department explained the move as part of the company's strategy to meet the need for business adjustment. The official said Motorola China is committed to the Chinese market for the long term, with the company indicating that its investment in China will even be increased.
- **PacificNet, Inc., a leading provider of gaming and mobile game technology, e-commerce and Customer Relationship Management (CRM) in China, says that it will launch a new mobile Mahjong game for the 2007 World Series of Mahjong.** PacificNet's newly launched Mahjong Mobile Pact is a java-based mobile game designed to help players better understand the rules of the game and to allow them to practice their Mahjong skills anywhere on a Java-enabled mobile phone. PacificNet said it will work closely with the World Series of Mahjong and other partners to promote the game of Mahjong via the Internet and mobile internet portals. According to industry forecasts, mobile online games will become vastly more popular with the advent of 3G networks in

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China. PacificNet Games Limited (PacGames), is a leading provider of Asian multi- player electronic gaming machines, gaming technology solutions, gaming related maintenance, IT and distribution services for the leading hotel, casino and slot hall operators based in Macau, China and other Asian gaming markets. Pacific Solutions Technology is a CMM Level 3 certified software development center with over 200 software programmers located in Shenzhen, China.

- **Fetion, a mobile chat service provided by China Mobile, announced the beginning of its commercial operations.** With Fetion, China Mobile plans to offer the service free of charge, and target about 25 million users for it within this year. China Mobile has made Fetion one of the group's three main projects of this year, seeing it as the link between the Internet and the telecom networks. It is also part of China Mobile's strategy to market Fetion as a complete comprehensive communications service that will focus on wireless communications.
- **China Yahoo announced its plan to launch oneSearch, a mobile phone based search service.** Earlier, the company went through a significant name change from Yahoo China to China Yahoo. The search service was first introduced in North America at the beginning of 2007 and later brought to Europe in May. Industry analysts consider oneSearch to be one of the biggest programs of Yahoo.

Software

- **IBM and Lehman Brothers announced that they have agreed to buy a small stake of software company Kingdee, a move that is seen as ushering in an alliance intended to help the U.S. firm boost its presence in a domestic market valued at US\$10 billion.** The acquisition is also viewed as strengthening Kingdee's global ambitions. Under the terms of the agreement, IBM will help Kingdee re-design its products to suit an international marketplace. In return, IBM will get 3.8 percent of Kingdee and gain access to a market dominated by SAP, Oracle and UFIDA Software. According to IDC IT consultancy, China's software market is projected to post a growth of about 10 percent annually and account for almost a quarter of Asian IT spending estimated at US\$48.3 billion by 2010, excluding Japan. Sources said IBM and Lehman agreed to pay HK\$132 million (US\$16.9 million) for 7.7 percent of Kingdee.
- **CDC Corporation announced that, for its financial results for the quarter ending March 31, 2007, it posted a 41.4 percent rise in its total quarterly revenue to US\$91.3 million from the US\$64.6 million it posted in the first quarter of 2006.** Even as it noted some challenges it has faced, like the expected seasonal slowdown faced by software companies, it described the revenues for this quarter as its "best ever" as it cited the more than 41 percent growth.

Hardware

- **Motorola announced that it has secured a distribution agreement with Dragon Technology Distribution in China in response to the rising demand for open, standards-based AdvancedTCA and MicroTCATM-based products in China.** The agreement also covers the distribution of Motorola's broad portfolio of CompactPCI and VMEbus products. With the agreement, industry experts see network equipment providers and manufacturers in China's industrial automation and aerospace industry as gaining easier access to Motorola's range of products, which include standards-based blades, modules, shelves, application-ready platforms and communication servers.

Ventures/Investments

- **Ctrip.com, an online travel service provider, revealed its plans to set up a travel agency in Beijing.** Called the Beijing Ctrip Travel Agency, Ctrip's new company is expected to compete directly

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with traditional travel agencies. The company said it aims to launch overseas group tour products in a bid to grab a share of the high-end tourist market expected to yield higher profits.

Telecommunications

- **Guangzhou Global Telecom announced that it has signed a Letter of Intent with Zhengzhou Wangtian Electronic Technology, a move that will enable it to acquire a 60 percent equity interest in Wangtian via the issuance of common stock.** Wangtian is a service provider that provides system integration services to telecom operators, government institutes, education organizations and enterprises. For 2006, it posted unaudited revenue of about US\$1 million, with net profit of US\$100,000. Industry sources indicated that the number of mobile phone users in Zhengzhou reached about 4.5 million at end of September 2006, which accounts for an estimated 63 percent of total population of the city. The coverage of mobile users in Zhengzhou, however, remains only at 63 percent, compared to 93 percent in other major cities of the country.
- **According to the chairman of China Netcom, the company is targeting about 50 percent of its capital expenditure in 2007 on broadband services and upgrades.** For its 2006 fiscal year report, China Netcom posted a 34.9 percent rise in its broadband revenue at 10.5 billion yuan (US\$1.3 billion), and by the end of 2006, the broadband user base rose 31.4 percent to hit 15 million. Industry estimates placed China Netcom's capital expenditure in 2007 at about 21 billion yuan (US\$2.7 billion). These figures are significant when placed in the context of forecasts that, by April 2007, China would have 57.2 million broadband users.

Taiwan

Internet

- **PChome Online, a web portal and the operator of Skype VoIP services in Taiwan, announced the launch of the Skype Pro service.** PChome said Skype Pro breaks with the convention of charging users based on the length of a conversation. The service has been launched in 27 other countries around the world, including Hong Kong, Singapore, Australia, New Zealand and Guam in the Asia Pacific region. At present, there are about 6 six million Skype users in Taiwan, including about 550,000 chargeable users and about 1,000 business ones. PChome generates revenues of about NT\$350 million (US\$10.6 million) from Skype services each year, which represents 6 percent of its total revenues.

Media, Entertainment and Gaming

- **Chunghwa Telecom (CHT) announced the launch of Senior Lovely, an animation movie designed for play on handset screens.** This is the first animation movie specifically targeted for 3G handset platforms in Asia, CHT emphasized. CHT said it has invested NT\$12 million (US\$363,746) in the production of Senior Lovely, which was done by Spring House Entertainment in which CHT holds a 30 percent stake. CHT said it has made additional investments for Spring House to produce two more handset-tailored animation movies for launch in the second half of this year and a flagship one, costing NT\$60 million (US\$1.8 million) alone, for launch in 2008, making the total investment of CHT reach NT\$80 million (US\$2.4 million). Outside of video or films, CHT has made investments in the production of handset-playback music. The company said it is looking to work with providers of online gaming and e-learning services.

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Ventures/Investments

- **According to Institute for Information Industry, Taiwan and Vietnam signed a memorandum of understanding aimed at bolstering high technology exchanges and cooperation between the two countries.** The memorandum called for increased investment from Taiwan in Vietnam's information technology industry. According to Taiwan, relocating part of its investments to Vietnam will help reduce the risks from concentrating too much investment in China and create a situation that will bring benefits to both Taiwan and Vietnam. The official also cited a report from International Telecommunication Union indicating that Vietnam has registered the world's second highest growth in the telecommunication industry in recent years, second only to China. Taiwan remains the largest investor in Vietnam.

Hardware

- **Axiomtek, a Taiwan-based industrial PC (IPC) maker, announced that it has set up Axiomtek Display Solutions (ADS), a subsidiary that will focus on the production of displays specifically for use in IPCs.** Axiomtek holds a 60 percent stake in the new company, which is seen as generating revenues of NT\$70 million (US\$2.1 million) in 2007. The figure would stand for a bit of an operating loss although the company is expected to gain profit in 2008 on revenues of NT\$150-180 million (US\$4.5-5.4 million).

Hong Kong

Media, Entertainment and Gaming

- **Hong Kong based Artificial Life, Inc. a provider of award winning mobile 3G technology and applications, announced that it has entered into a partnership with Telecom New Zealand to launch the latest mobile games in New Zealand.** The agreement provides for bringing to Telecom's over 1.8 million mobile customers Artificial Life's top mobile games, which include America's Next Top Model Series 7 and 8, V-girl, V-Penguins, Poli the Bear and others. The agreement covers the games and their accompanying side products like wallpapers and screensavers. The Telecom Group provides telecommunications and ICT services in New Zealand and Australia. It is the principal supplier of telecommunications services in New Zealand. Artificial Life, Inc. is a public U.S. corporation headquartered in Hong Kong and a leading global provider of award winning mobile technology, content, games and applications.

Software

- **PacificNet, Inc. a leading provider of gaming technology, e-commerce and Customer Relationship Management (CRM) services in China, announced that its subsidiary EPRO TechSoft has been selected by LG Hong Kong to deploy the TechnoSoft Human Resources Management Solution.** Epro's TechnoSoft Human Resources Management Solution is a comprehensive and powerful system specially designed for diversified businesses with economy of scale. PacificNet Epro is the industry leader and leading provider of outsourced call center, telemarketing, CRM, VAS and IVR services with over 15 years of field experience in greater China in the areas of outsourced call center services, training and consulting services, and call center management systems.

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Telecommunications

- **Media sources said that Hutchison Telecommunications (Hong Kong) Ltd., a telecom subsidiary of Hutchison Whampoa Ltd. and Cheung Kong Holdings, have entered into an agreement to subscribe to shares of a Taiwanese telecom startup waiting for a WiMAX license.** Previous reports indicate that the Hong Kong telecom carrier has been interested in Taiwan's telecom market, with the company managing to purchase Asia-Pacific Broadband Wireless Communications Inc. shares from Deutsch Bank AG when the Taipei District Court granted the German bank the right to sell its shares of the Taiwanese telecom provider. Recent developments show that other overseas companies are interested in investing in Taiwan's WiMAX-telecom service. Earlier, Intel Capital, Intel's venture-capital arm, signed an agreement with First International Telecom, an affiliate of the First International Computer, to put money into the Taiwanese telecom provider once it has received a WiMAX license.

Singapore/Malaysia/Philippines/Indonesia

Internet

- **According to the Ministry of Information, Communication and the Arts, the government of Singapore announced that the country's Spam Control Act will take effect next week with the city-state aiming to control unsolicited advertising.** Under the new policy, marketers based in Singapore convicted of spamming can be fined up to S\$1 million (US\$657,000), the Ministry of Information, Communication and the Arts said in a statement. The ministry said the new rule will provide a way for a better management of unsolicited commercial electronic messages sent in bulk, otherwise known as "spam". The U.S., Japan, South Korea and Australia already have anti-spam laws.

Media, Entertainment and Gaming

- **Ozura Mobile, a leading international publisher and developer of mobile entertainment, and Maxis Communication Berhad (Maxis) announced their joint launching of the world's first mobile trading card game, Master of Maya in MaxGames, a tournament based mobile gaming and community portal.** Master of Maya, a real time multiplayer game published by Nokia Siemens Networks, articulates the classic trading card game concept with MaxGames which is powered by Ozura's FunlogiX to enhance mobile users' experience. An Ozura official said that the game has skillfully united the perception of trading cards with the technologies of the current mobile phones. Ozura Mobile is a company that creates games for mobile phones based on J2ME, BREW or Symbian platform. Ozura's games are available all over the world through its distribution network of thousands of partners spanning across 130 countries. The Maxis Group is the region's emerging mobile telecommunications Group serving nearly 13 million customers as of December 2006. It has operations in Malaysia, India through subsidiary, Aircel Limited, and Indonesia through PT Natrindo Telepon Seluler. Nokia Siemens Networks is a leading global enabler of communications services, with operations in some 150 countries.

Telecommunications

- **Goldman Sachs disclosed that it has reaffirmed its "buy" recommendation on Philippine Long Distance Telephone Co. (PLDT) and increased its 12-month target price to 3,000 pesos (US\$64.2) from 2,700 pesos (US\$58), justifying the move as based on a positive economic landscape for the country biggest telecommunications firm.** Goldman Sachs said it looks to

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PLDT's core profit to reach 34.8 billion pesos (US\$747.7 million) in 2007, a forecast that would exceed the company's guidance of 33 billion pesos (US\$707.2 million), and 36.9 billion pesos (US\$790.7 million) in 2008. The climb is attributed to expected higher revenues from PLDT's mobile and business process outsourcing (BPO) operations.

United States/Canada

Internet

- **YouTube announced that it has secured an agreement on a revenue-sharing deal with Hearst-Argyle Television Inc., whereby local TV stations will be paid when users of the video-sharing site watch their programming.** The two companies said in a joint statement that they will share advertising revenue on news, weather and entertainment videos from five TV stations. Industry observers note that this marks the first time YouTube has paid for local TV programming. Under the deal, Hearst-Argyle television stations in Boston, Manchester in New Hampshire, Sacramento, Pittsburgh and Baltimore will begin posting local video content to dedicated channels on YouTube, which in return will also distribute Hearst-Argyle's new digital video initiatives. Hearst-Argyle, which owns 29 local TV stations in the U.S, will take an undisclosed cut of the advertising revenue. YouTube, as known in the industry, gets its earnings when its users view clips. The New York-based company owns local affiliates of Walt Disney Co.'s ABC, GE's NBC, CBS Corp. and News Corp.'s MyNetworkTV broadcast TV networks. It reaches roughly 18 percent of U.S. households with televisions. Earlier this month, YouTube announced that it has secured a video and music licensing deal with EMI Group Plc.

Media, Entertainment and Gaming

- **With a US\$400 million support from investors, a group of video game and film industry executives announced their formation of a new video game company called Brash Entertainment.** The investors are led by private equity firm ABRY Partners and include New York Life Capital Partners III, Northwestern Mutual Life Insurance and PPM America Private Equity Fund II. Brash Entertainment will focus on creating games based on film licenses, with one of its first titles linked to Lions Gate Entertainment Corp.'s "Saw" horror series. The company said other games will be based on upcoming animated and action movies. Brash is headed by Mitch Davis, the man behind the in-game advertising company Massive Inc., which Microsoft Corp. bought last year in a deal estimated to be valued at some US\$200 million.
- **NBC Universal and News Corp. announced that Gemstar-TV Guide and cable channels Fuel TV, Oxygen, Speed and the Sundance Channel would join their online video joint venture.** The venture is scheduled to be launched in summer. Under the arrangement, the Sundance Channel, an independent channel, NBCU and CBS, will provide full-length original series, short films and other content. Fuel, News Corp.'s extreme-sports channel, and Speed, a motor sports network owned by Comcast and News Corp, will provide short-form content and host programming on their own sites. Oxygen will also contribute short-form content. Gemstar-TV Guide will distribute content from its broadband network including reviews and celebrity interviews. Industry observers see the offering as aimed to rival Google's YouTube.

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Software

- **Following a similar agreement it forged with Novell Inc. in 2007, Microsoft Corp. announced that it has signed Zandros, Inc., a Linux distributor, to a patent licensing and collaboration.** Xandros Inc. offers desktop and server versions of Linux. Industry sources said the deal includes a clause aimed at protecting customers using Xandros software from any potential patent-infringement claims from Microsoft. The five-year agreement between the two companies also covers collaboration between the companies that will enable them to bring interoperability to their Microsoft System Center and Xandros Systems Management products. The deal will see Xandros becoming part of the move to standardize and use Web Services (WS)-Management protocols, which Microsoft supports.

Semiconductors

- **The U.S. International Trade Commission announced that it has issued a ban on the importation of certain mobile phones using chips made by Qualcomm, with the authority explaining its decision by stating that the Qualcomm chips have infringed on a patent held by Broadcom.** Specifically, the International Trade Commission declared that the so-called 3G chips for phones operated by Verizon, Sprint, and AT&T infringed on a US patent held by U.S.-based Broadcom. In May of this year, a U.S. jury ordered Qualcomm to pay US\$19.6 million dollars to Broadcom for a separate patent infringement case. Earlier this year, Nokia paid Qualcomm US\$20 million as a settlement of a dispute over patents, with the fund aimed at covering the second quarter of 2007.

Europe

Mobile/Wireless

- **European Union governments announced the approval of a cap on cell phone roaming fees.** Industry observers said the rule will not have a much of an impact on U.S. cell phone callers traveling in Europe this summer. The new cap is scheduled to take effect in European countries in August, with rates to be capped at 66 cents a minute for outgoing calls and 33 cents a minute for incoming calls. For several months now, the EU has been struggling with roaming issues.

Software

- **SAP disclosed that is aiming to acquire small companies in India in its bid to increase its presence in the Asia-Pacific region.** The European software giant said it is looking mainly to India, China and Japan for acquisitions. According to SAP-Asia Pacific & Japan president, the company sees some possibilities for it to go into small and easy to integrate acquisitions. The official said the company has already identified sectors for acquisition and the company is currently evaluating its options even as the company clarified that these acquisitions will not be a part of the US\$1 billion investment announced by the company earlier in 2006. Earlier this year SAP acquired the U.S.-based planning, budgeting, forecasting, and consolidation software maker OutlookSoft, a U.S.-based maker of planning, budgeting, forecasting and consolidation software. Its recent acquisitions include Canada-based retail software vendor Triversity and another U.S.-based retail software vendor Khimetrics.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 6/8/07)	% Change 1 Week Ago	% Change 1/1/2007	% Change 1/1/2006	% Change Last 12 Mth.
Japanese yen	¥/US\$	121.6100	-0.3%	2.1%	3.3%	6.8%
Hong Kong dollar	HK\$/ US\$	7.8146	0.1%	0.5%	0.8%	0.7%
Chinese renmenbi	RMB/ US\$	7.6567	0.1%	-1.9%	-5.1%	-4.4%
Singapore dollar	S\$/ US\$	1.5418	0.7%	0.3%	-7.3%	-3.3%
South Korean won	KRW/ US\$	934.3000	0.6%	0.5%	-7.5%	-2.0%
New Taiwan dollar	NT\$/ US\$	32.9900	-0.1%	1.2%	0.5%	1.6%
Australian dollar	US\$/A\$	0.8402	1.4%	6.5%	14.6%	12.8%
New Zealand dollar	US\$/NZ\$	0.7506	1.6%	6.6%	9.8%	19.5%
Philippine peso	PHP/ US\$	46.6500	1.2%	-4.8%	-12.1%	-12.2%
Euro	US\$/€	1.3345	-0.7%	1.1%	12.6%	4.6%
British pound	US\$/£	1.9647	-0.7%	0.3%	14.0%	6.2%

Fixed Income Prices and Yields

Note	Currency	Current (on 6/8/07)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	93.0469	5.23%	95.2656	5.01%	98.1755	4.85%
Japan 30-year	¥	102.1535	2.37%	103.3025	2.30%	104.0270	2.27%
Hong Kong 10-year	HK\$	100.2832	4.36%	102.0481	4.36%	105.1600	4.19%
China (06/16)	US\$	105.6171	3.92%	106.2594	3.88%	110.0400	3.40%
Singapore 10-year	S\$	101.4770	2.98%	101.9770	3.06%	104.1820	2.87%
South Korea 20-year	US\$	104.3375	5.44%	105.8895	5.38%	107.3580	5.20%
Australia 15-year	A\$	151.0830	2.66%	151.9515	2.62%	152.5090	2.55%
New Zealand (12/17)	NZ\$	93.8844	6.62%	97.0400	6.35%	99.5450	6.06%
Philippines 20-year	PHP	131.0630	8.24%	131.0461	8.24%	131.0100	8.25%
India 30-year	INR	87.6880	8.52%	88.7254	8.47%	87.6700	8.56%
UK 30-year	£	91.6690	4.75%	93.5290	4.63%	94.7335	4.58%
Germany 30-year	€	88.7270	4.67%	90.7260	4.54%	93.5650	4.39%

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