



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

***Week of 10 February - 16 February, 2008***

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Equity Market Indicators					
Index	Closing Level (2/15/2008)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
S&P 500	1,349.99	1.4%	1.5%	-6.7%	-4.8%
Dow Jones Industrial Avg.	12,348.21	1.4%	1.2%	-5.3%	-0.9%
Dow Jones Tech. Index	395.95	1.4%	-0.7%	-12.2%	-4.1%
Dow Jones Telecom. Index	283.38	1.4%	0.5%	-8.9%	9.0%
NASDAQ Composite	2,321.80	0.7%	-0.2%	-11.0%	-3.9%
The Street.com Net	252.90	1.3%	1.2%	-9.1%	2.3%
Japan Nikkei 225	13,622.56	4.7%	0.0%	-7.3%	-20.9%
JASDAQ	65.23	3.0%	5.2%	-7.5%	-24.3%
Japan Mothers	655.44	8.9%	-1.2%	-12.2%	-41.0%
Korea KOSPI Composite	1,694.77	-0.1%	0.1%	-8.6%	18.1%
Korea Kosdaq	651.57	1.4%	-0.3%	-7.9%	7.5%
Taiwan Stock Exchange	7,876.37	2.6%	1.8%	-5.4%	0.7%
Singapore Straight Times	3,088.68	5.3%	-2.2%	-10.8%	3.4%
Hong Kong Hang Seng	24,148.43	2.9%	-3.9%	-12.4%	21.0%
Hong Kong GEM	1,026.10	1.0%	-4.5%	-23.9%	-16.2%
China Shanghai (A-Share)	4,719.39	-2.2%	-5.6%	-14.7%	67.6%
China Shenzhen (A-Share)	1,441.87	-0.4%	-4.5%	-6.9%	153.1%
China Shanghai (B-Share)	311.55	-1.9%	-3.0%	-15.2%	139.4%
China Shenzhen (B-Share)	656.16	-2.6%	-0.2%	-8.4%	51.4%

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Technology, Media, Telecommunications and Life Sciences Market Activity						
NASDAQ/NYSE TMT and Life Sciences IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
2/14/08	IDS Group [NASDAQ: IDSI]	Software	US\$86.3	Provides software for financial institutions	Thomas Weisel/ Robert Baird/ Piper Jaffray/ Needham and Co.	N/A

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
2/14/08	ArcSight Inc. [NASDAQ: ARST]	Provider of security management software	US\$52	US\$9.00	US\$8.66	-3.78%

Asian Equity Markets: TMT and Life Sciences IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
1/7/08	Shenzhen Topray Solar [SSE: ]	Semiconductor	US\$60	Solar Company	Guosen Securities	N/A

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
2/12/08	New Media Group Holdings [HKSE: 0708]	Magazine Publisher	HK\$112	HK\$0.75	HK\$.98	30.67%

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

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## Weekly Highlights

### International

#### *Mobile/ Wireless*

- **Mobile advertising is one of the key topics in this week's Mobile World Congress in Barcelona.** However, the challenge for the telecoms industry will be to prove it is more than just hype. For companies such as Yahoo and Google, who dominate internet advertising, the mobile market offers a new, much larger market – the eyes of more than 3 billion consumers globally, compared to about 1 billion on the fixed-line internet. For advertisers, the response rates for mobile campaigns look promising. Vodafone, for example, said it gets a 2 per cent click-through rate on banner ads on its mobile internet pages, more than 10 times the response rate to ads on the fixed-line internet. Rival UK operator 3 claimed 8 to 10 percent click-through in ads on its mobile portal, and Nokia claimed 20 percent click-through rates on its sites. However, analysts advise caution over these early results, saying that high response rates are probably due to the novelty of the medium. A decade ago, when the internet was nascent medium, click-through rates were similar.
- **Analysts provide varied estimates for mobile advertising.** According to Informa, the global mobile advertising market will grow from just over US\$1 billion in 2007 to US\$8.4 billion in 2012. Analysts at IDC have a more optimistic forecast of US\$11 billion by 2011. According to research by operator Orange, consumers were most in favor of ads linked to services and content, such as mapping, video and games. Attitudes to banner ads are neutral and the least favorite are unsolicited text messages. The bulk of mobile advertising is still focused on banner ads and text messages, although companies such as 3 in the UK and Vodafone's Italian unit are experimenting with offering free video clips supported by ads screened before and after.
- **Sony Ericsson admitted that its presence is weak in India, China and the U.S., and has designated these countries as priorities while it seeks to become one of the three largest mobile phone makers by 2011.** The company expressed confidence that it would hit its 2011 target through organic growth, and ruled out buying the handset division of Motorola, the troubled U.S. mobile-maker. The company is considering making cheap handsets that cost as low as US\$25 each. Nokia has consolidated its grip as the world's largest handset manufacturer by establishing a strong presence in emerging markets. Sony Ericsson is the fourth-largest handset maker, but it badly trails Nokia. According to Gartner, Nokia had a 38.1 percent market share of the total number of mobiles sold as of September 2007, followed by Samsung 14.5 percent, Motorola 13.1 percent and Sony Ericsson 8.8 percent. Sony Ericsson, a joint venture between Japan's Sony and Sweden's Ericsson, plans to increase its market share by customizing more of its phones for individual markets.
- **Microsoft unveiled a deal with Sony Ericsson to use Microsoft's Windows Mobile operating system in a new flagship handset to be launched later this year.** Microsoft already has deals with Samsung, LG, and Motorola. Only Nokia has resisted working with Microsoft, and this is unlikely to change, given the company is backing rival mobile phone operating software from Symbian. Microsoft has been trying to push into the mobile market for the last five years. With around 3.5 billion mobile subscribers worldwide compared with some 1 billion computer users, mobiles are expected to be by far the larger market for software.

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- **SonyEricsson released the X1 at the Mobile World Congress in Barcelona.** The X1 is a mobile phone that also serves as a music player and provides internet access. The X1 underlines Sony Ericsson's commitment to sophisticated mobiles and will spearhead its new push on the US market.

## *Media, Entertainment and Gaming*

- **Arab states have adopted a charter that authorizes individual countries to penalize media organizations deemed to have offended political and religious leaders or to have damaged social harmony and national unity.** This is said to be part of a collective effort to curb satellite channels such as al-Jazeera. Only Qatar, home to al-Jazeera, refused to endorse the document citing the need to study it further to ascertain that it did not conflict with its legislation. Channels such as al-Jazeera have provided platforms for opposition groups and breached taboos by broadcasting stories about human rights violations and election fraud.

## *Hardware*

- **According to International Data Corporation (IDC), personal computer shipments in Asia grew 20.5 percent to reach 66.6 million units in 2007.** Portable PCs continued to be the key driver in the surge, with nearly every Asian country (excluding Japan) posting double-digit growth in this segment. IDC said the fourth quarter of 2007 in particular grew 1% sequentially and 21% year-on-year to reach 18.1 million units, which was generally in line with analysts' expectations. Some markets like India, Malaysia, and Vietnam came in short of forecasts due to tender delays, while portables recovered significantly in Indonesia as products were able to clear customs procedures more easily than before, IDC said. Lenovo retained a commanding lead in total PCs in the region with a 18.4% market share, although HP's aggressive moves in the consumer space helped it to close the gap with Dell 7.8 percent Acer 6.1 percent, and Founder 5.1 percent rounded out the Top 5 vendors.

## **Japan**

### *Semiconductors*

- **Fujitsu is to spin off its loss-making chip business as increasing competition is forcing the Japanese group to create a leaner organization.** Alongside NEC and Hitachi, which make a wide range of goods from chips to nuclear reactors, Fujitsu is finding it increasingly difficult to compete with their nimbler rivals in other parts of Asia and in the U.S. But rather than sell underperforming units to private equity groups or foreign rivals, Japanese companies have largely preferred to spin the off into subsidiaries controlled by the parent company. Fujitsu said it needed to improve efficiency and reduce development times to compete with its rivals, including Toshiba and Infineon. The unit is expected either to break even or make a small profit this year, following a loss of about 20 billion yen a year ago. For the year ending March 31, Fujitsu forecasts its chip business sales will rise by 12 percent from a year earlier to 530 billion yen (US\$5 billion).
- **Toshiba is planning to give up on its HD DVD format for high-definition DVDs, conceding defeat to the competing Blu-ray technology backed by Sony.** The move will likely put an end to a battle that has gone on for several years between consortiums led by Toshiba and Sony vying to set the standard for the next-generation DVD and compatible video equipment. Toshiba is expected to suffer losses running to tens of billions of yen (hundreds of millions of dollars) to scrap production of HD DVD players and recorders and other steps to withdraw from the business.

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- **Sharp Corp. and Kansai Electric Power Co. are considering jointly building a solar power generation plant that could become one of Japan's biggest when completed on coastal land in Sakai, Osaka Prefecture.** The plant is planned to be built on the site of an industrial waste disposal facility owned by the Osaka prefectural government. Once completed, its power output capacity could exceed that of the 5,200 kilowatts at Sharp's solar power generation system in Mie Prefecture, currently the largest of such plant in Japan.
- **Toyobo Co. has come up with a way to fabricate films for printed wiring boards that are only 5 microns thick.** At half the thickness of the company's existing products, the new films are the thinnest in the industry, beating out the 7.5-micron versions made by Ube Industries Ltd. Toyobo plans to market its new film to device makers starting in April 2009. The circuit board films are made from a solution of a polyimide resin that is spread out and dried, then rolled. The resin needs to be heated to more than 300 C to drive off the solvent, a process that causes the resin to expand, which can create uneven waviness in the film. Toyobo reduced this thermal expansion by five-sixths by adding polybenzazole molecules to the resin, pushing its heat resistance above 500 C from the usual 350 C. The firm also modified the rolling mechanism so the thinner film could be rolled without damage.
- **Hitachi, Ltd. and Matsushita Electric Industrial Co., Ltd. announced the conclusion of a formal contract related to a comprehensive liquid crystal display (LCD) panel business alliance.** A basic agreement regarding this alliance was reached on December 25, 2007 by Hitachi, Matsushita, and Canon Inc. Under the terms of this agreement, Matsushita will acquire a 24.9% stake in Hitachi Displays, Ltd., a wholly owned Hitachi subsidiary that makes small and medium-sized LCD panels, from Hitachi by March 31, 2008, pending regulatory approval. Matsushita will then acquire for 66 billion yen (US\$612 million) large IPS LCD panel-related businesses, including the total issued shares of IPS Alpha Technology, Ltd., owned by Hitachi Displays once all conditions are met. Meanwhile, Hitachi will consider holding the IPS Alpha's share up to 10%. Until this deal is executed, Hitachi Displays will retain majority ownership of IPS Alpha. However, under U.S. accounting standards, IPS Alpha will become a Matsushita consolidated subsidiary as of March 31, 2008.
- **NEC Electronics Corp. will introduce an early retirement plan to reduce its local workforce by about 500 or 3 percent by March 30 from the current 18,000 as part of a move to consolidate its manufacturing facilities in Japan.** NEC Electronics currently has about 24,000 employees worldwide. The loss-making subsidiary of electronics giant NEC Corp announced in November a plan to consolidate its six semiconductor-making units into three in Japan to accelerate its cost-cutting efforts and turn around its operations.

## *Internet*

- **Rakuten Inc. announced that the group's operating profit in 2007 plunged 99.6 percent from the previous year to 118 million yen (US\$1.1 million), as it set aside hefty reserves to cover borrowers' claims at its financial unit for reimbursements of excessive interest charges.** Rakuten's consolidated sales went up 5.2 percent to 213.94 billion yen (US\$2.0 billion), helped by its healthy mainstay online shopping mall business as well as its solid online travel services and professional sports operations. Its group net profit swelled about 14 times to 36.9 billion yen (US\$0.34 billion), due to a one-time gain stemming from sales of shares in its investments in Ctrip.com, a consolidator of hotel accommodations and airline tickets in China.



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## Korea

### *Telecommunications*

- **SK Telecom Co. has bought a Chinese Global Positioning System (GPS) service provider in order to tap the Chinese telematics market.** SK Telecom said it bought a controlling 65.5 percent stake in Shenzhen E-eye High Tech Co. for 13.9 billion won (US\$14.7 million), putting it under its holding company in China, SK Telecom China Holding. CoTelematics refers to the use of GPS technology integrated with computers and mobile communications technology in automotive navigation systems. SK Telecom said China's telematics market has been growing at a fast pace due to China's policy to require government-owned and special vehicles to be equipped with a GPS device ahead of this year's Beijing Olympics. Shenzhen E-eye High Tech is a company which manufactures GPS terminals and provides software platforms for logistics. SK Telecom said it will seek to sell GPS platforms to large companies in China, set up a nationwide distribution network, and provide GPS and traffic information services.
- **Korea's anti-trust regulator gave conditional approval to SK Telecom for its planned takeover of Hanarotelecom.** With the takeover, SK Telecom, which controls a 50 percent share in domestic mobile phone market and a 26 percent share of the local high-speed Internet service market. The commission decided to recommend to the Ministry of Information and Communication to retrieve the 800 megahertz frequency bandwidth from SK Telecom for redistribution in 2011, when the carrier's exclusive right to use it ends. In addition, the panel also attached some conditions on the deal to discourage a monopoly in both the mobile and internet service markets. The deal is subject to final approval by the Ministry of Information and Communication next week.

### *Mobile/Wireless*

- **LG, the Korean handset maker, and Omnifone, the U.K.-based mobile music start-up, will attempt to upstage Nokia's flagship music strategy by unveiling a rival handset and music package.** Customers who buy the LG handset will get free, unlimited access to a library of around 1.5 million songs for 12 to 18 months and be able to keep favorite tracks at the end of this time. Called MusicStation Max, the package will be on sale before June, several months ahead of a similar launch by Nokia. Omnifone has signed a deal with Universal Music Group to provide music for the programme, and hopes to sign other labels soon. Universal also has a deal with Nokia.
- **Femtocells, which enable to expand the coverage of the 3G network and offer the fixed-mobile convergence service, will be introduced by Korean mobile carriers this year.** It will help carriers to save money for network establishment and subscribers to benefit better calling experience with various additional services. KTF said that it will begin the operation of femtocell and is currently negotiating with KT to share the fixed network. Also, it is discussing with femtocell makers like Samsung and Motorola to purchase the equipments.

### *Semiconductors*

- **Samsung Electronics Co., Ltd. announced that it has begun mass producing 64 GB solid state drives (SSDs) with its new SATA II interface, offering the highest performance rates in the industry for premium notebook PCs.** Able to read data at 100 megabytes per second and write it at 80 megabytes per second, Samsung's SATA II SSD is up to 60 percent faster than SATA I drives and performs two to five times faster than conventional hard disk drives (HDDs). It also consumes nearly 75 percent less power than typical HDDs (1.45 watts compared to 2.1 watts) and at 73 grams, SSDs are much lighter than HDDs.



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- **Samsung Electronics LCD Division began to establish the test line for AM OLED TV panels in order to begin the mass production next year.** The company is committed to chasing up Sony in the large size panel and the establishment of the test line is expected to make an impact in the industry.

## *Media, Entertainment and Gaming*

- **Webzen released fourth quarter results.** The company recorded revenues of 6.9 billion won (US\$7.3 million), down 7.8% from last quarter. Even though total operating expenses decreased 4.7% to 10.6 billion won (US\$11.2 million) due to the reduction of marketing costs, operating loss increased 1.8% to 3.6 billion won (US\$3.8 million) compared to previous quarter because of the revenue decrease. Ordinary profit increased 196.7% due to the partial disposal of GameOn shares and some tangible assets, and net income was 2.0 billion won (US\$2.1 million). The company announced that in 2008, three titles will be commercialized including Huxley and operation cost will be decreased due to the efficient management system and budget controlling.

## *Information Technology*

- **According to IDC, Accenture Korea is the top system integration firm in the world.** In IDC's market share report in the global and the U.S. system integration service, Accenture made a dramatic growth in the information management service as well as in the solution business for SAP and Oracle products. Accenture Korea counted the strong relationship with its C-level executives as the key factor for success.

## **China**

### *Internet*

- **Baidu.com beat expectations with a 79 percent surge in quarterly profit as it attracted more online advertising in the run up to the Beijing Olympics.** Revenue more than doubled to 571.1 million yuan (US\$79.2 million). Fourth-quarter net income rose to 219.8 million yuan (US\$30.5 million) compared with 122.8 million yuan (US\$17.0 million) in the year-earlier period. But Baidu said recent winter storms that paralyzed wide parts of China and cut power would lead to a 4.3 - 7.1 percent fall in first quarter revenue. This would be the firm's first recorded sequential fall in quarterly revenue, according to JPMorgan. Baidu predicted first-quarter sales of 533 million yuan (US\$74.2 million) to 548 million yuan (US\$76.3 million), an increase of as much as 99 percent from a year earlier. The forecast missed the average estimate of seven analysts surveyed for revenue of 566.7 million yuan (US\$78.9 million). The company also said it was still interested in listing shares in Hong Kong but that a flotation was not likely this year. According to Analysys International, Baidu's share of the Chinese search market rose to 60 percent in the fourth quarter from 58 percent a year earlier. Google's share climbed to 26 percent from 17 percent, while Yahoo's fell to 9.6 percent from 13 percent. Sohu's share dropped to 1.2 percent from 5 percent.
- **The Chinese central government has targeted illegal websites, computer markets and Internet cafes as part of a campaign to rein in juvenile crime.** The crackdown is also aimed at websites offering unregistered playing platforms or services for gamers that can be downloaded. Unlicensed internet cafes would be closed down and supervision would be tightened over legal cafes, the report said.

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- **Xunlei, a download service provider in China, announced that they have lost a piracy suit brought forward by the Shanghai Youdu Broadband Technology Co. (Youdu) and will have to pay 150,000 yuan (US\$20,833) in compensation.** Xunlei had allegedly violated the "rights of network promulgation and reaping profit," off Youdu promulgation rights. Youdu, which is a content provider for broadband users, paid 600,000 yuan to get the network promulgation rights for a Chinese blockbuster film. The agreement allowed the company to provide the movie for download for one month. Xunlei however did not have rights yet provided download links on its site for free.
- **China plans to cover more than 95 percent of its villages by broadband service this year.** Broadband connection has already reached 92 percent of the villages in China, which has about 122 million broadband users to put the country in the top rung in the world. Telephone service would be expanded further in rural areas, with some 99.5 percent of the country's villages already having access to telephones, according to the Ministry of Information Industry. Last year, China saw addition of 73 million people to its total population, 40 percent of them living in rural areas. The total number of rural internet users is now estimated at 52.62 million as at the end of last year, a 127.7 percent jump year-on-year.
- **The Chinese government has decided to allow private video-sharing websites to continue operation as long as they do not broadcast illegal content.** The State Administration of Radio, Film and Television (SARFT) and the Ministry of Information Industry (MII) said on its website that all video-sharing websites established before January 31 are qualified for a license and can continue operation. The license was needed for any website providing online video services and could have been granted only to State-owned or State-controlled enterprises, according to an earlier regulation.

## *Mobile/Wireless*

- **China's phone subscribers, mobile and fixed line combined, are expected to grow by more than 60 million in 2008 to hit a total of 976 million, according to the Ministry of Information Industry.** According to the Ministry, the continuous falling of mobile communication charges has directly led to a sharp increase in mobile phone subscribers and some people even replaced their fixed-lines with mobile phones. In 2007, China's mobile phone subscribers increased by 86.2 million, while fixed-line subscribers fell by 2.3 million. By the end of 2007, China had 370 million fixed-line subscribers and 530 million mobile subscribers, the two figures combined accounted for a fifth of the world's total phone subscribers, according to statistics from the ministry.
- **China's Ministry of Information Industry (MII) and National Development and Reform Commission (NDRC) jointly announced the country's mobile roaming service charges would be lowered starting from March 1 amid fervor of consumer expectation to entirely abolish them.** Mobile phone users would be charged 0.6 yuan (about US\$0.08 cents) per minute for making calls outside the local service area, and 0.4 yuan (about US\$0.05 cents) per minute for receiving calls when they travel to another province, according to the new plan. It compares with current charges of 1.3 yuan to 1.5 yuan per minute for the roaming service for Chinese cell-phone users under different payment schemes, prepaid or paying monthly. This means that the country's 539 million mobile subscribers would be able to enjoy price cuts ranging from 54 percent to 73 percent from next month on, or no later than May 1.
- **China Mobile is expected to lend its support to LTE, the wireless broadband standard that looks set to become the flagship 4G technology.** LTE, or Long Term Evolution, is gaining strong momentum as the next generation wireless technology to provide super-fast web surfing on mobiles. Vodafone also expressed that it would join China Mobile and Verizon Wireless to promote LTE. It

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suggests LTE will emerge as the leading 4G technology, rather than WiMax or Ultra Mobile Broadband, which are the main alternatives. Vodafone suggests that WiMax should be harmonized with LTE and further added that Vodafone is planning to roll out 4G networks from 2010.

## *Telecommunications*

- **Six handset makers, including Lenovo and ZTE, were awarded the first post-trial period access licenses to China's homegrown third generation (3G) network, according to the TD-SCDMA Industry Alliance.** The move indicated that the technology TD-SCDMA was entering the commercial stage. The licenses would immediately give Lenovo, ZTE, Hisense, Samsung, LG and New Postcom opportunities to win procurement deals from China Mobile. In December, China Mobile said it planned to purchase 30,000 TD-SCDMA mobile phones and 10,000 data cards for 3G network trials. China Mobile, China Telecom and China Netcom, three major Chinese phone operators, are conducting network trials of TD-SCDMA in 10 cities. China has promised to provide 3G mobile communications services in time for the 2008 Beijing Olympics.
- **ZTE Corp. said shipments of its Global System for Mobile Communications (GSM) base stations surged 300-fold last year, ranking it the fourth-largest supplier in the sector.** ZTE shipped about 340,000 GSM wireless base stations, essentially mobile phone transmission sites, last year. The products are compatible with 3G mobile technology, according to the company. The company's product lines for the US-developed Code Division Multiple Access (CDMA), a standard that competes with GSM, also performed well in the market. As of the end of last year, ZTE was the biggest supplier in the CDMA market with a 43 percent market share of new CDMA infrastructure contracts.
- **China's telecommunications industry faces a huge bill after the worst winter in decades, with millions of users cut off and thousands of kilometers of phone lines damaged.** Preliminary statistics from the Ministry of Information Industry showed the bad weather has led to losses of 1.1 billion yuan (US\$139.3 million). 10 million mobile and fixed-line subscribers were affected. Some 10,000 mobile-phone base stations remained out of service, and for fixed-line services, 150,000 poles had collapsed while 16,000km of lines had been damaged. It reported that 80,000 telecommunications workers had fanned out across the country trying to restore services as the Lunar New Year holiday added to the demand for phone services.
- **China's ZTE to supply modems to Hutchison 3G UK.** The company said it has signed a deal to supply 3G modems to Hutchison 3G U.K. Ltd, a unit of Hong Kong-listed Hutchison Whampoa. Under the agreement, ZTE will supply its HSDPA MF622 modem to Hutchison 3G's operating companies 3UK and 3 Ireland. No financial details were provided.

## *Investments/ Ventures*

- **Citigroup and Central China Securities will soon apply to Chinese regulators to set up an investment banking joint venture.** The new company would be Citigroup's first investment banking venture in China. It already helps Chinese mainland companies list in Hong Kong, but involvement in the country's mainland investment banking business would be an important expansion. Under its deal with Central China Securities, Citigroup would apply for permission to own the maximum allowable 33 percent stake in the venture. Central China Securities has more than 500,000 securities business clients and about 40 offices in major cities including Beijing and Shanghai, where its investment banking business is based, according to data from the company.

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## *Semiconductors*

- **China Resources Logic said the proposal of disposing its semiconductor businesses to CSMC Technologies Corporation and the proposal for acquiring Redland Concrete Limited are approved by its shareholders.** It also said, as more time is needed to fulfill certain internal procedures before the capital reorganization can be effected, with the consent of the shareholders of CR Logic, the SGM was adjourned after dealing with the above ordinary resolutions.

## *Software*

- **China's software industry saw an increase in revenue of more than 20 percent last year, boosted by particularly swift growth in income from services.** The mainland software industry generated revenues of 580 billion yuan last year (US\$80.5 million), citing the Ministry of Information Industry. Software and technology services saw the steepest growth, rising 24.8 percent to 97.8 billion yuan (US\$13.6 million). China has vowed to raise the contribution to growth from technology-intensive industries such as software.
- **AsiaInfo reported fourth quarter and 2007 full year results and announced several significant contracts with China's telecom carriers.** Total revenue for the fourth quarter of 2007 was US\$40.8 million, a 27% year-over-year increase and 26% increase from last quarter. Net income excluding share-based compensation expense, amortization and impairment charges, after-tax dividend income and gain on discontinued operations was US\$8.1 million in the fourth quarter of 2007, a 189% year-over-year increase and 76% increase from last quarter. The Company also announced its agreements to: (i) develop a Customer Relations Management system for China Telecom in Xinjiang; (ii) develop a mobile e-commerce platform for China Mobile; (iii) expand China Mobile's Business Operation Support Systems (BOSS) in Zhejiang, Gansu and Shanghai; (iv) expand and upgrade Business Intelligence (BI) systems for China Mobile in Qinghai and Beijing; and (v) expand China Netcom's CRM system in Jiangsu.

## **Taiwan**

### *Hardware*

- **A fire at Taiwan's Lite-On, a desktop monitor producer, could disrupt supplies to the PC industry, with Dell, Hewlett Packard and Lenovo particularly at risk.** The fire at one of Lite-On's factories in the mainland this month had caused initial damage of about NT\$2.3 billion (US\$72.5 million). The losses included structural damage of the building, and damage to some equipment and stocks. Fourteen production lines of liquid crystal display (LCD) monitors were also interrupted, the company said in a statement.
- **Taiwan's Acer to launch low-cost PCs this year following a recent strong reception for similar models from competitors.** According to the company, it will have products that address ultra mobility and low-cost segments between the second and third quarters. Acer is still developing the low-cost model, which could be 7 to 9 inches wide, and could cost about US\$470. Taiwan's Asustek Computer, a competitor to Acer, launched its line of low-cost Eee PC laptops last year, with a price tag of as low as US\$200. Asustek has so far been successful in marketing and selling its child-friendly Linux-based notebook globally, although profit margins for the products are thin according to analysts.
- **Acer reported a 76.9 percent jump in quarterly profit from its acquisition of Gateway with revenues increased by 30 percent in the final quarter of 2007 and 25 percent for the full year.**

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Acer's 2007 consolidated revenues hit NT\$461.7 billion (US\$14.6 billion). The fourth-quarter results included revenues from Gateway, now a wholly-owned subsidiary of Acer, from the final two and a half months of 2007. Profit after tax rose to NT\$2.3 billion (US\$72.4 million) in the three months to December 31, from NT\$1.3 billion (US\$41.0 million) a year earlier. Net income for the full-year rose from NT\$10.2 billion (US\$321.5 million) in 2006 to NT\$12.9 billion (US\$406.6 million).

- **Acer forecasted its PC shipments would rise 30-35 percent this year, driven by a 40 percent jump in shipments of notebook computers.** This is far above most forecasts for the overall PC market and analysts cautioned the company could struggle to keep up the pace of growth as consumer demand in the U.S. and Europe tapers off in the wake of the U.S. credit crisis. Citigroup predicted last month that global PC shipments would grow by 11 percent this year following 14 percent in 2007. A downturn in U.S. and European computer demand is expected to hit Acer harder than Lenovo, because Acer's biggest markets are Europe and the U.S., while Lenovo still relies on the Chinese market for the bulk of its growth.

## Hong Kong

### *Mobile*

- **BYD Electronic to buy Hungary handset parts maker for HK\$177 million (US\$22.7 million).** The company said it has agreed to buy Mirae Hungary, a handset components maker who possesses advanced technologies, popular and competitive products and an established network of customers and suppliers in Hungary which will help BYD expedite its globalization process.
- **Lenovo has sold its handset business for US\$100 million to four private equity firms, two of them partly owned by Lenovo.** The company decided to sell off the business unit after a disastrous quarter in which sales fell 31 percent. The company believes that the personal computer business and the current mobile handset business are two distinctive businesses where the room for achieving synergy is relatively limited. However, Lenovo Mobile sold product in just one market, whereas the computer business enjoyed global scale. Lenovo Mobile made a loss of 133.7 million yuan (US\$18.6 million) in the year ended December 31, 2007, compared with 426 million yuan (US\$59.1 million) profit in 2006. As part of the deal, Lenovo agreed to arrange a US\$25 million loan for Lenovo Mobile.
- **Share prices of China Mobile and China Unicom dropped amidst news the Beijing is cutting roaming charges.** China's 539 million mobile users will enjoy price cuts in their roaming calls, ranging from 54 to 73 percent under the new tariffs. Analysts believe that the new measure will have limited impact on revenue for cellphone carriers. However, China Unicom may be more affected more given that it has a much lower net profit margin than China Mobile, and has not yet fully adjusted packages, especially under mass market brands.
- **China Unicom Ltd. said planned reductions of tariff caps for domestic mobile roaming services may have an impact on its revenue.** The company said it will continue to expand its customer base, develop its value-added services and strengthen its existing services in order to minimize any such impact.

### *Telecommunications*

- **According to S&P, its positive rating on PCCW is not affected by the company's decision to privatize its property development unit.** The positive outlook on the rating reflects the steady



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improvement in profitability at the parent's TV and mobile businesses, S&P said. It also reflects the expectation that PCCW's business strategy will not radically change.

- **Telefonica, S.A., a Spain-based telecommunications company, is planning to increase its stake in China Netcom Group Corporation (Hong Kong) Limited, a China-based fixed-line telecommunications operator, to 10% from 7.22%.**

## *Software*

- **The Board of Vodatel Networks announces the resignation of Chui Sai Cheong.** He resigned as an independent non-executive Director with effect from 15<sup>th</sup> February, 2008. He has also ceased to be the chairman of the Audit Committee and a member of the remuneration committee and the nomination committee of the Company with effect from such date.

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

### *Telecommunications*

- **Philippine Long Distance Telephone Co. (PLDT) is investing US\$550 million this year in support of the outsourcing and offshoring (O&O) sector.** This will be used to expand network infrastructure and upgrade capacities in relevant areas across the country to further enable the O&O industry to become more globally competitive. The company has allotted US\$238 million for 17 international projects that will enhance its cable systems, which will be hosted by PLDT for termination in the Philippines. Through the capex, PLDT's would increase its international cable-bandwidth capacity to 125 gigabits per second (Gbps) from last year's 90 Gbps—which could accommodate 2 percent of the population calling abroad at the same time. The company will also hook up with the 100-Gbps Asia-America Gateway Bandwidth, which will provide Southeast Asia with a first ever high-capacity connectivity to mainland USA by the first quarter of 2009. At present, PLDT has invested about US\$238 million in 17 international cable projects worldwide. The company is also targeting to have 7,000 GPRS-enabled cell sites, 1,000 3G (third generation)-enabled cell sites, and 2,000 fixed wireless broadband sites.
- **Ayala Corporation reported a 33 percent jump in unaudited consolidated net income in 2007 to 16.2 billion pesos (US\$398.3 million), the highest ever recorded by the company.** The firm disclosed that record profits were due to higher capital gains from share sales, lower financing expenses, and stable equity earnings from operating units drove earnings substantially higher during the year. Ayala booked 7.3 billion pesos (US\$179.5 million) in capital gains from its value realization initiatives, 55 percent higher than the 4.7 billion pesos (US\$115.6 million) capital gains in 2006. Even if these gains were to be excluded, net income would be up by about 19 percent. Ayala's major operating units, Ayala Land, Inc. (ALI), Bank of the Philippine Islands (BPI), and Globe Telecom (Globe) recently reported double-digit growth in net income for 2007.

### *Information Technology*

- **A government-organized conference is emphasizing the readiness of "tier-two" cities to host outsourcing work in the Philippines to reflect the growing trend among BPO firms which have started to locate in the countryside.** This year's 8th e-Services Global Sourcing Conference and Exhibition would serve as a venue for BPO firms to examine the current shift among service providers of locating to offshoring hubs outside the business districts of Metro Manila, and other tier-one cities. According to the government, the BPO industry employs more than 300,000 Filipinos and would generated approximately a 34 percent growth in revenues this year from 2006.

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- **Hatchasia Inc. is eyeing to raise 100 million pesos to 200 million pesos (US\$2.5 million – US\$4.9 million) from a planned public offering in the second half of the year.** The company, owned largely by listed IT solutions provider DFNN, provides business process outsourcing (BPO) facilities to start-up and established firms needing shared facilities and resources in the IT, logistics, education and BPO industries. The IPO would only involve the offering of primary or new shares, representing about 33 percent of the company. Money from the shares sale will help fund the expansion of facilities in Bonifacio Global City; adding of new sites for BPO spaces; and possibly, diversification to online gaming business. The company has strong interest in locating within the Clark-Subic-Tarlac corridor and Davao. HatchAsia has hired Amalgamated Investment Bancorporation as issue manager and lead underwriter for the public offering. HatchAsia currently has 9,000 square meters of BPO spaces in Bonifacio Global City that firms like Marubeni Power Corp. and a company engaged in the animation business currently occupy.

## *Media, Entertainment and Gaming*

- **IP E-Game Ventures, Inc. entered into a Shareholders' Agreement for the purpose of creating and operating a joint venture company to be incorporated under the name I-Play, Inc.** The company is the online gaming subsidiary of IPVG Corp. and GMA New Media, Inc., the digital media arm of GMA Network, Inc. The business venture will focus on designing, operating and maintaining casual online gaming and casual online gaming-related portals. The investment in I-Play, Inc. will be in the form of an authorized capital stock worth 800 million pesos (US\$19.7 million), with an initial paid-in capitalization of 200 million pesos (US\$4.9 million). I-Play, Inc. will be equally owned by IP E-Games and GMA-NMI, with each party having a 50 percent stake in the company. I-Play is set to commence operations in the first quarter of 2008. Both GMA-NMI and IP E-Games agree that the future of online gaming in the Philippines lies in the casual gaming segment because it appeals to a much broader audience base. Anticipating the changing media landscape on a global scale, NMI is venturing into digital TV through its Internet TV and Internet Protocol TV (IPTV) offerings, which will allow global audiences not only to access GMA content but also to customize it to their liking.
- **An Indonesian court will delay its decision on Temasek Holdings' appeal on an antitrust ruling to the end of March.** Indonesia's antitrust regulator said Dec 5, 2007 Singapore state-owned Temasek and nine other related companies breached laws by controlling prices through indirect stakes in the country's two biggest mobile phone operators.
- **Digi.com, Malaysia's second biggest publicly traded mobile phone company announced that it's CEO Morten Lundal will quit to join Vodafone Group and take a senior international role at Vodafone Group, the world's biggest wireless operator.** Lundal will be replaced by Chief Financial Officer Johan Dannelind.
- **Total Access Communication (TAC), Thailand's second-largest wireless operator announced fourth quarter profit climbed 22 percent as the carrier added subscribers with new price packages.** Net income rose to 1.59 billion baht (US\$48 million) from 1.31 billion baht (US\$39 million) a year earlier. Revenue gained 36% to 16.8 billion baht (US\$507 million). TAC added 893,961 users during the fourth quarter, a 17 percent increase from a year earlier and a total of 15.8 million users at the end of 2007.
- **StarHub Ltd., the second largest telephone company in Singapore announced fourth quarter profit fell 31 percent to S\$98.3 million (US\$69.3 million) from S\$141.7 million (US\$99.9 million) following the absence of a one-time tax gain.** Sales advanced 14 percent to S\$538.8 million (US\$379.8 million). Profit surpassed the S\$84 million (US\$59.2 million) median estimate of three



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analyst surveyed by Bloomberg. StarHub predicted sales this year to rise about 10 percent and earnings before interest, taxes and depreciation and amortization as a percentage of revenue will fall to about 33 percent from 33.7 percent in 2007. Full year net come fell 8.3 percent to S\$330.3 million (US\$232.9 million) and sales in 2007 climbed 12 percent to S\$2.01 billion (US\$1.4 billion). Revenue from the high speed internet service increased 7.2 percent to S\$62.4 million (US\$44.0 million) in the fourth quarter while sales from cable television services rose 20 percent to S\$95 million (US\$67.0 million). Mobile phone services revenue climbed 14 percent to S\$275.6 million (US\$194.3 million). StarHub added 74,000 mobile users during the fourth quarter for a total of 1.757 million and a 31.3 percent share of the Singapore's wireless market at the end of December. StarHub will pay stockholders a dividend of 4.5 Singapore cents a share. StarHub plans to pay at least 18 cents in dividends this year.

## United States/Canada

### *Internet*

- **AT&T has entered into an agreement with Starbucks to provide its Wi-Fi services 7,000 more hotspots in addition to its current 17,000 in play.** In return, the coffee seller gets to tap 5 million of AT&T's remote access business customers, as well as 12 million broadband and Internet service users. Starbucks had partnered with T-Mobile for wireless services, and according to published reports, the switch to AT&T was purely a business decision that had nothing to do with service quality levels or issues. Non-AT&T subscribers who use Starbucks cards for purchases are provided two hours of free Wi-Fi daily, and those paying cash can purchase connectivity for \$3.99 a session. A monthly subscription can be had for \$20 and includes access to any of AT&T's 70,000 hot spots in 89 countries. AT&T expects a business-side customer influx from the deal.
- **Yahoo! is seeking to restart merger talks with AOL as a means of defending itself against an unsolicited bid approach from Microsoft, a media report said.** The report, without citing sources, said Yahoo was also considering tie-ups with groups such as Google and Disney. It said Yahoo! and AOL had previously tried to join forces, but were unable to agree on the price of a deal. Yahoo! has bolstered the team of bankers advising it on the bid by hiring Moelis & Company, a high-profile west coast mergers and acquisitions boutique. Moelis & Co was brought in recently to flank Goldman Sachs and Lehman Brothers as they guide Yahoo directors and Jerry Yang, chief executive, through their options.
- **Yahoo! has sent a letter to shareholders arguing that its current management and strategy will create value compared with a bid by Microsoft that undervalues the company.** The letter from Jerry Yang, chief executive, came after Legg Mason, spoke out in favor of accepting a bid if Microsoft were to raise it. The comments by Bill Miller from Legg Mason were the first indication that some of Yahoo's main backers were ready to sell if Microsoft sweetened its offer. With almost 9 percent of the stock, Mr. Miller's investment firm, Legg Mason, is Yahoo's second-largest institutional shareholder, behind Capital Research. Mr. Miller expressed that the deal is a strategic imperative for Microsoft, and that Yahoo is in a tough spot if it wishes to remain independent. However, he mentions that Microsoft will need to enhance its offer if it wants to complete a deal. It also followed hints from Microsoft that it may go round Yahoo's board and make an exchange offer directly to stockholders. Mr. Yang tried to dismiss criticisms that he had acted too slowly in tackling Yahoo's poor financial performance. The Yahoo! co-founder said that his "starting point objective" is aimed at increasing

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visits to key properties such as My Yahoo and Yahoo Mail, where people enter the web, by 15 percent a year.

- **Microsoft warns Yahoo that it is prepared to bypass the internet company's board to complete a transaction currently valued at US\$41.8 billion.** Microsoft was responding to a Yahoo statement that the software group's February 1 proposal "substantially undervalues" the internet company. Analysts had speculated that the Yahoo board was holding out for a higher offer than the \$31 per share originally proposed. But, sensing that Yahoo was in a weak position, Microsoft said its offer was "full and fair" and gave no indication that it would raise the price. The software group has been sounding out Yahoo's largest shareholders, principally Capital Research & Management, which holds an 11 percent stake and is also an investor in Microsoft. The company's next step could be to make an exchange offer for Yahoo shares to stockholders, turning its approach hostile. It could also launch a proxy contest to try to unseat the board.
- **News Corp. has revived discussions with Yahoo! about a possible combination that would thwart Microsoft and its US\$40 billion takeover offer.** News Corp has been in talks about merging its MySpace social network and other online sites with Yahoo! in exchange for a substantial stake in the web portal. Any agreement would involve News Corp merging its Fox Interactive Media properties, including MySpace, IGN, Photobucket, Fox Sports and AmericanIdol.com, with Yahoo!, according to a tech analyst. News Corp is also understood to have been talking to private equity firms and would join with one in making an investment in Yahoo! that would give them a shareholding of more than 20 per cent. Joining forces with Yahoo! and its 500 million users would make sense for News Corp. by giving it a huge audience for its content along with a much bigger marketplace for its advertisers.
- **Comcast told U.S. regulators that it uses reasonable measures to manage traffic moving over its broadband service as some of customers overwhelmed the network by using file-sharing applications such as BitTorrent.** Comcast gave its most detailed explanation of how it managed internet traffic on its service, naming BitTorrent as prime culprit, but again denied it blocked content, applications or discriminated among providers. Comcast, which is the second-largest U.S. internet service provider with more than 13 million subscribers, said the use of network management was essential to avoid congestion and impairment of some applications such as online video sites Joost and Veoh. Comcast was answering claims by consumer groups that it favored or blocked certain types of content moving over its network.
- **Yahoo! is being sued by a shareholder group asking a judge to force the company to fully consider takeover offers after it rejected a US\$44.6 billion bid by Microsoft Corp.** According to the Wayne County Employees' Retirement System of Michigan, which owns 13,600 Yahoo shares, the company should undertake a proper process to evaluate alternatives. Directors' refusal to engage in meaningful negotiations with Microsoft or others has impeded, and will continue to impede, Microsoft's willingness to increase its offer, according to the complaint.
- **Mobile interactive solution's vendor Movius Interactive announced strategic partnerships with Colibria, a provider of mobile instant messaging (IM) and presence-enabled solutions, and Action Engine, an on-device wireless portal company.** The objective of the partnership is to offer solutions that better propel customer loyalty and mobile content revenues for wireless service providers, such as mobile operators and cable companies. With Colibria, Movius' developed a new offering for the interactive mobile media market called Mobile Instant Messaging, a presence-based messaging and social networking service that supports features such as contact list management, user

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presence, multi-participant chats, et al. Mobile Instant Messaging addresses both the mobilization of PC-based IM services as well as carrier-branded IM communities.

## *Media, Entertainment and Gaming*

- **Disney is considering replacing EMI as its international distributor of Hannah Montana, the High School Musical soundtrack and other top-selling albums, in a move that could increase pressure on Guy Hands and his efforts to revive the struggling record company.** Disney's contract with EMI has about a year to run and the company is contemplating on whether or not to extend the agreement. However, Disney's discussions with rivals mean that Mr. Hands, who acquired EMI last year for 4 billion pounds (US\$7.8 billion) through his Terra Firma private equity group, may have to pay a premium to keep the contract. Disney has approached Universal Music and Warner Music. Some record executives suspect that Disney may be starting conversations early to increase its leverage over EMI. Disney's moves highlight the challenges confronting Mr. Hands as he attempts to radically restructure EMI – cutting jobs and costs – without alienating its roster of artists or putting off business partners.
- **Mark Hurd, the chairman and chief executive of Hewlett-Packard, has joined the board of News Corp, the media conglomerate controlled by Rupert Murdoch.** Mr. Hurd replaces Roderick Paige, the former U.S. education secretary. Mr. Paige, who served as a director since 2006, will continue to work for News Corp as a consultant after his departure, according to the company. Mr. Hurd would serve on the board's nominating and governance committee. Mr. Perkins had chaired a similar board committee at HP before his resignation as an HP director in 2006.

## *Telecommunications*

- **Ralph Whitworth, the activist investor, is joining the board of Sprint Nextel, a move that gives him a bigger platform to put pressure on management to improve the performance of the struggling U.S. telecoms group.** Mr. Whitworth's investment firm, Relational Investors, owns a stake of about 2 percent in Sprint. Mr. Whitworth, who last year raised pressure on Home Depot to oust Bob Nardelli as chief executive, has been a vocal opponent of Sprint's plans to spend billions of dollars to build a US high-speed wireless network using nascent WiMax technology. He has argued the company should focus on reviving its mobile phone business, which is the third-largest in the US but has been losing subscribers for months, and solving the problems caused by the takeover of Nextel Communications.
- **IBM released IPTV, IP-VPN and VoIP services.** IBM said that these products will help telecom service providers offer consistent, high-quality connections more easily to consumers. The new products are based on IBM's Tivoli Netcool Service Quality Manager tailored to address these specific services. The company said it would offer similar off-the-shelf services in a few months designed to improve the consistency and quality of Short Message Service (SMS) and voicemail services. IBM reported that 89 percent of the 250 global telecom executives it surveyed noted service quality as an important differentiator for their business. Where IBM saw an opportunity with its latest offerings is that nearly half of those surveyed said they had no end-to-end service-assurance capability.
- **Huawei Technologies respond to concerns raised on their planned buy-out of U.S. telecoms equipment maker 3Com.** The company raised that there was no need to change the terms of the US\$2.2 billion deal, under which Bain Capital, the U.S. private equity firm, is seeking to buy 83.5 percent of 3Com, with Huawei taking the remaining 16.5 percent. The deal has sparked concerns in the U.S. because 3Com supplies intrusion prevention technology to the U.S. defense department, designed to protect the Pentagon against cyber attack. The Pentagon believes that hackers in China

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conducted a massive cyber attack on its systems last year. Huawei stressed that it would be a minority shareholder at 3Com, with no final decision making powers, even if it exercised an option to raise its stake to 21.5 percent.

## *Mobile/Wireless*

- **Google receives 50 times more searches on Apple's iPhone than any other mobile handset.** This made Google more confident on the possible significant revenues it could generate from the mobile internet. According to the company, if the trend continues and other handset manufacturers follow Apple's lead in making web access easy, the number of mobile searches will overtake fixed internet searches within the next several years. More searches mean increased revenues for Google, which makes its money from advertising attached to search results. Google has never separated out its mobile revenues but the business was growing above expectations both in terms of usage and revenues, according to them. Google's comments echo figures released recently by AT&T and O2, which carry the iPhone exclusively in the U.S. and U.K. respectively. In the U.S., AT&T said average revenue per user for iPhone users was nearly double the average, because iPhone users took large data packages on top of their voice calls. In the U.K., O2 hopes that the high usage levels will fuel the nascent mobile ad market and unlock a potentially large revenue stream.
- **Motorola CEO Greg Brown is taking over the reigns of the company's Mobile Device division which includes cell phones, smartphones and PDAs.** Brown is taking a direct role in the attempt to make Motorola's struggling mobile phone business profitable again. Until recently, Motorola's handset business accounted for 50 percent of revenue and profits. The division lost US\$388 million last quarter, through. And Motorola's fallen to a distant third behind Samsung and market leader Nokia in the world's mobile phone market.
- **TMT Capital Corporation and its subsidiary Freedom Wireless Corporation has signed an agreement with its underlying network provider that allows Freedom to market and sell Unlimited Cellular Voice, Data and Messaging services in 22 states to consumer markets in the U.S.** Freedom is a provider of wireless services and solutions. According to Freedom, this acquisition enables the company to profitably compete with other low cost 'unlimited calling' providers. The Freedom Unlimited plan will be offered in more states and provides larger domestic coverage than the other 'low cost' unlimited voice calling providers.
- **The BlackBerry mobile e-mail service failed in North America in what appeared to be the second serious outage within a year.** The previous big outage, in April last year, lasted for two days and served as an unpleasant reminder of the new dependence that many users had developed for the gadget. That failure was caused after the company introduced an upgrade to its internal software, only to discover that the new technology had not been adequately tested. The company issued an e-mail notification of what it called a "critical severity outage" that affected "users of the Americas network".
- **Qualcomm, the U.S.-based developer of code division multiple access (CDMA) mobile technology, will launch a range of low-cost chipsets to boost production of cheap 3.5G handsets on the mainland and other markets.** Qualcomm expects to pave the way for the future upgrade of 3.5G cellular technology with the launch of high-speed packet access (HSPA) plus, which is touted as delivering data transmission speeds of up to 28 megabits per second on the existing Wideband CDMA spectrum. The firm said its HSPA Plus would begin commercial service next year. Hutchison Whampoa's 3 network in Europe, Telecoms Italia, Telefonica of Spain and Telstra of Australia have committed to the system.



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- **Google loses contract with T-Mobile to Yahoo.** Yahoo's search engine will now be featured on the T-Mobile mobile internet site instead of Google. However, Google explained that contracts like these were becoming less important, as mobile users increasingly wanted to browse beyond an operator's own site.
- **Microsoft moved to reinforce its position in mobile software by buying Danger, a company that makes web-browsing, instant messaging and other software for mobile handsets.** The deal comes as Microsoft faces increasing competition in the mobile market from rivals including Google and Apple. According to the company, the addition of Danger serves as a perfect complement to its existing software and services, and also strengthens the improvement of mobile experiences centered on individuals. Terms of the Microsoft-Danger deal were not disclosed.
- **Google announces that it is unlikely to build its own handset despite speculations.** The company is aiming to make every phone a Google phone. It plans to do so by getting Google's mobile operating system, Android, deployed on as many types of handsets as possible. Google announced plans for the open source Android operating system earlier this year, and has signed up 34 handset, software and operator partners into an alliance to develop the system. The first Android products are expected to be announced in the second half of this year.

## *Media, Entertainment and Gaming*

- **At least four bidders submitted offers in the first round of an auction of Virgin Radio.** Those believed to have expressed a formal interest in the station are Vitruvian, the private equity house; Global Radio, which has also made an indicative 313 million pounds bid for GCap Media; UTV, which tried to merge with SMG in 2006; and the little-known Absolute Radio. Virgin Radio, which broadcasts on FM in London and on AM nationally, was recently the subject of a formal writedown on SMG's assets, being recorded at a value of 85 million pounds. But people familiar with at least two of the offers doubted that any bidder would reach the 60 million pounds mark in the first round. It is the second time that SMG has put Virgin Radio up for sale. It is not thought to have attracted bids above 58 million pounds (US\$113.7 million) on the first occasion.

## *Semiconductors*

- **BestBuy, Walmart and Netflix, the leading DVD rental by mail company, chooses the Blu-ray DVD format over HD DVD.** Bestbuy first announced it would prominently showcase Blu-ray hardware and software products in its retail and online stores. This was then followed by Netflix who announced it would no longer offer HD DVD titles for rent, only Blu-ray. Lastly, Walmart made the announcement to shift to Blu-ray DVDs as well. HD DVD and Blu-ray have been dueling it out for the chance to be the successor to standard definition DVD. High definition DVD offers six times the resolution of standard DVD and greatly increased disc capacity. Sony is the primary developer of Blu-ray and has the support of Warner, 20th Century Fox and Walt Disney Pictures exclusively. HD DVD comes from Toshiba and is supported by Universal Pictures and Paramount Pictures exclusively.
- **Micron Technology Inc. Chief Executive Officer Steve Appleton said a supply glut and falling prices in the US\$28 billion market for computer-memory chips may work to his advantage by driving rivals out of the business.** Appleton is counting on losses at competitors to force them to cut back production or abandon the chips, a staple of personal computers. He said he may acquire rivals to gain more control over the market and end the boom-and-bust cycles that have forced Micron, the last remaining U.S. maker of PC memory, to report losses in six of the past ten years. An analyst at Robert Baird & Co. said that 2008 is going to be the beginning of industry consolidation and Micron shares will likely outperform the market.

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- **Intel and STMicroelectronics are still working to spin off their flash memory joint venture, to be dubbed Numonyx.** The first technology from the venture is based on an idea that has been around since the 1970s, but only now is technologically possible to deliver. The two companies have begun shipping samples of Phase Change Memory (PCM) to OEM partners for evaluation. The memory, developed under the codename "Alverstone," provides the storage capabilities of flash memory with the speed of DRAM. The test devices are 256MB multi-level cell devices manufactured in a 90nm process. The sample is actually 128MB but by storing two bits per cell they will be able to double capacity.
- **A research note from FBR Capital Markets concerning a precipitous drop in iPod and iPhone component orders could be a sign of broader worries about the U.S. economy.** The report centered around the cut in build rates of iPods and iPhones and the impact on component suppliers like Broadcom and Marvell, which supply some of key parts for the devices. Berger reported that build rates for the iPhone and iPod had been cut again, first by 50 percent from Q4 2007 to Q1 2008, and then to 60 percent. He also reported that iPod Touch had seen the largest negative revision against its original order checks last month, suggesting the Touch wasn't selling well. Apple did not respond to requests for comment on the report. A number of market analysts felt the drop in production was more due to seasonality than the economy. For them, the bigger issue is if that number continues, with those kinds of cutbacks, then it would be a better sign of a slack off.

## *Software*

- **Volume buyers for the Windows Vista Service Pack 1 (SP1) will get the software earlier than retail buyers.** This announcement was made in response to the uproar among some users when Microsoft announced the delay in the distribution of the software. Users wanted to begin Vista evaluations and deployments as early as possible. The company released Vista SP1 for download by both individuals and companies who previously beta tested the service pack. Now Microsoft will be making the English version of Windows Vista SP1 available to volume licensing customers with other languages to follow soon.
- **Pfizer is in talks to take a strategic investment in Imaginatik, a collaborative software program that allows ideas and insights from employees in large organizations to be shared, providing input for possible additional revenue streams or cost savings.** Imaginatik's clients include Georgia-Pacific, W. R. Grace, ChevronTexaco, Bayer and Goodyear Tire & Rubber. Imaginatik's main product, Idea Central, is designed to help solve problems and generate ideas through widespread internal discussion.
- **Microsoft now offers Outlook 2007 with the Business Contact Manager contact management application as a standalone package.** Demand for a standalone release grew out of small business needs for consolidating contact information from more than one application in a single place. The standalone version enables customers to track sales and marketing activities such as organizing contacts, and customer information, according to a Microsoft statement. The standalone version of Outlook 2007 with Business Contact Manager lists for \$149.95.
- **AOL announced that it has built a platform to provide developers with the tools and source code they need to create applications that will run on virtually any mobile device.** The Open Mobile Platform is built on technology developed by Air Media, a company acquired by AOL last year. Shortly after the integration, AOL began working on the mobile developer platform, which will offer a portability of applications that no other mobile platform can provide. In contrast to the other open initiatives, AOL's is not tied down to specific devices or specific service providers.

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- **Red Hat to further expand and develop its JBoss middleware platform.** On the commercially available product side, there is the JBoss SOA platform and on the community side there are three separate projects including Black Tie (for BEA Tuxedo migration), RHQ (a management effort for middleware management) and SOA Governance. All told the projects are part of Red Hat's effort to accelerate JBoss to take on 50 percent of the enterprise middleware market.
- **Microsoft is taking the first steps to bring all the health-related products and companies it has acquired in the last year and so by rebranding them all under a common name, the Microsoft Amalga Family of Health Enterprise Systems.** Under the new naming scheme, Azyxxi, a medical information software developer, has been rebranded Microsoft Amalga. A second product, previously known as Hospital 2000 and originally part of GCS, has been renamed Amalga Hospital Information System.
- **Disaster recovery software provider Neverfail Group is adding a VMware module to its roster of tools, in a move to capitalize on enterprises' burgeoning interest in virtualization.** Neverfail's new module protects VMware's VirtualCenter Server, a component within VMware VirtualCenter that acts as the central control node in configuring, provisioning and managing virtualized IT environments. The offering works similarly to the vendor's nine existing disaster recovery modules, which add failover features to Windows-environment enterprise software. The company currently offers modules for a number of Microsoft offerings including Exchange, SharePoint, SQL Server, File Server and IIS. The company also markets products for Lotus Domino, RIM BlackBerry and others.
- **Enterprise software vendor CA is aiming to deliver more robust data protection capabilities that improve security while being easier to manage and purchase.** The latest version of its Recovery Management applications includes enhancements to the product's ARCserve Backup, XOsoft High Availability and XOsoft Replication components. Improvements include centralized management by combining disk and tape backup using a single console, integrated antivirus and encryption tools and enhanced VMware integration.
- **Microsoft started releasing a version of Internet Explorer 7 without the Windows Genuine Advantage (WGA) validation check.** The release, which Microsoft is calling the IE7 Installation and Availability update, is being sent to corporate customers who have not opted out of the automatic delivery and installation process. Microsoft announced it would commence automatic distribution of the updated IE7 browser back in early October when the release was first made available to users who wanted to download and install it themselves.
- **Micro Focus International, the business process software maker, has lifted its full-year guidance after a third quarter that beat expectations.** According to the company, revenues in the second half would marginally exceed the first half. The Berkshire-based group had previously expected to report second-half turnover broadly similar to its exceptional strong first-half performance of 108.9 million pounds. Margins for earnings before interest, tax, depreciation and amortization were expected to be similar to the first-half level of 38.4 percent. The company's officials pointed to the company's high levels of recurring revenues and relatively low exposure to financial services sector spending as the chief reasons for his confidence. They further added that the pipeline of business for the coming quarter was good.
- **Apple fixes its Mac 10.5 Leopard and Mac OS 10.4 Tiger.** Among the fixes for Tiger is a patch for Service Location Protocol, or SLP, which was at risk from stack buffer overflow. Tiger also gets a fix for an issue with its Mail application. For Leopard, Apple has fixed a critical memory-corruption issue that affects its Safari Web browser. If a user visits a specially constructed URL, arbitrary code



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execution or a system crash could result. The Leopard update also includes a fix for Apple's parental controls, which is supposed to limit access based on specified settings. The flaw does not lead to arbitrary code execution but rather to an involuntary information disclosure to Apple.

## *Investments/ Ventures*

- **CITIC Securities and US investment bank Bear Sterns are to revise a share swap agreement, increasing the stake in each other.** Ongoing talks are now focused on lowering convertible prices of each share without changing the fixed-investment scale. Each side is set to cut the price by the same extent. After the price cut, CITIC would hold 9.9 percent of the U.S. bank, up from the previous six percent. As for Bear Sterns, the US\$1 billion debt would convert to a 2.5 percent stake in the Shanghai-listed firm that would amount to 7.5 percent over time. No information about the actual convertible prices or the extent of the price cut was available yet.

## **Europe**

### *Mobile/ Wireless*

- **The UK's five mobile operators, Vodafone, Orange, O2, T-Mobile and 3, announced that they are working together to develop common measurement standards for mobile advertising.** The companies will work with the GSM Association, the global trade association for the handset industry, to pool information on customer numbers and usage patterns. This will help develop a common set of metrics for measuring the reach of mobile advertising. Mobile advertising is seen as potentially lucrative new source of revenues for mobile operators, but some advertisers have been hesitant to try mobile campaigns because it is not clear how their effectiveness can be measured. Operators have historically been relatively secretive with their key customer data, and nearly half of advertising buyers polled in a recent Jupiter Research survey cited measurement difficulties as a key obstacle in mobile advertising.
- **Europe's top mobile phone companies were given four months to cut prices for web surfing and sending text messages while abroad, or face the threat of having price cuts imposed by Brussels.** A European Union telecoms commissioner stated in the World Mobile Congress that sending text messages or data within the EU should not be substantially more expensive than sending texts or data within the home country. Telefónica of Spain and U.K.-based Vodafone have recently cut data roaming prices to stave off the threat of regulation. The commissioner added that text messages should come down to very close to prices in the home market, although there would be more leeway on pricing in the newer market for sending data. However, she said she wanted operators to be more transparent on prices, to offer download packages covering all 27 EU countries at close to home prices, and a reduction in wholesale data rates.
- **Sony Ericsson said that units shipped in the past quarter reached 30.8 million, a 18% increase compared to the same period last year, generating continued sequential and year-on-year market share gains.** Sales for the quarter were 3.8 billion euros (US\$5.6 billion), in line with sales a year ago reflecting a strategic shift to a greater proportion of lower priced handsets in the product portfolio. Income before taxes for the quarter was 501 million euros (US\$735.4 million) in line with a year ago. Net income for the quarter was 373 million euros (US\$547.5 million). Sony Ericsson gained market share during the quarter due to the continued success of such products as the K550i Cybershot and the W200i, W300i and W580i Walkman phones in the Americas and Europe. Although Average Selling Price (ASP) increased slightly sequentially during the quarter, as a result of the introduction of new flagship Walkman and Cybershot phones such as the W910i and K850i models, the trend for

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falling ASPs year-on-year reflects the company's direction to broaden its product portfolio. Sony Ericsson estimates the 2007 global handset market as being over 1.1 billion units, in line with previous forecasts. On this basis, the company believes it grew market share around 2 percentage points to reach slightly over 9% for the full year 2007 compared to full year 2006.

- **Sony Ericsson announced that it had entered into a series of agreements with Motorola, Inc.** In the agreements, Motorola acquired 50% of the share capital in U.I. Holdings BV, the Dutch owner of the Swedish software company UIQ Technology AB, which was acquired by Sony Ericsson from Symbian Ltd. earlier in the year. The transaction was ratified by the appropriate competition authorities during the quarter.
- **Nokia recently announced that the Nokia N95 8GB had the distinction of being the first ever mobile phone to receive Digital Living Network Alliance (DLNA) certification.** The DLNA is a body advocating the interoperability of wired and wireless consumer devices. For the consumer, this accolade translates into convenient and intuitive connectivity between DLNA Certified home electronics devices, personal computers, and Nokia N95 8GB. DLNA technology enables multi-vendor home ecosystems of consumer devices by building a common connectivity platform for a variety of multimedia experiences.

## *Media, Entertainment and Gaming*

- **888 Holdings releases its 2007 financial results following the complete abandonment of U.S. online gaming market due to a ban.** Non-US net gaming revenue was up 36% in 2007 to US\$213 million. Growth rate of fourth-quarter results reached 55%, when compared to the same period for the non-US market in 2006. 888's non-US poker net revenue growth posted a healthy 18% increase for 2007. Bolstered by their strong fourth quarter and encouraging start to the new year, the company further projected that they would be able to triple their profits and double their revenue by the year 2010.

## *Telecommunications*

- **Telecom Italia announced an internal separation of the management of a large part of its network as it tries to ease regulatory pressure over competition.** TI, Italy's dominant telecoms group, has been in talks with regulators for more than a year about more easily allowing competitors to use its network to serve customers over fixed telephone lines. TI had been considering spinning out and selling part of the network infrastructure – a move that could have raised billions of euros for investment. The new internal “ring-fenced” unit will be called Open Access. It will have new lines of reporting responsibilities and separate accounts but at this stage no distinct board of directors. The company hopes to convince its competitors that the management is transparent and open. The announcement was part of a restructuring of the information technology activities that will lead to the creation of a new chief information officer and the pulling together of IT activity from across the company.
- **TeliaSonera's new chief executive defended its Nordic telecoms group's strategy in the wake of market disappointment at his plans for the company.** Mr. Nyberg said he wanted to turn TeliaSonera into a growth stock, rather than a dividend-yielding defensive stock. After announcing his first concrete plans at last week's fourth-quarter results presentation, the company's stock fell 10.6 per cent. Last week, he announced that TeliaSonera would cut 5 billion kronor (US\$984.5 million) from its cost base over this year and next, mainly by axing 2,900 jobs in Sweden and Finland. However, less well received were his plans for an aggressive programme of capital investment that he said would take priority over future dividend pay-outs. TeliaSonera will boost investment to 15 billion kronor (US\$2.9

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billion) this year, partly to improve its Nordic mobile and broadband network but mainly to roll-out mobile networks in Central Asia.

## *Internet*

- **Thomas Cook has bolstered its independent travel operation by acquiring Hotels4U.com, the UK's largest independent bed bank that sells exclusively over the internet.** The acquisition is the first since the travel group was formed through a merger with MyTravel and listed last summer as part of its response to the growth of demand by consumers for personalized online holidays. Hotels4U provides accommodation and resort transfers for more than 500,000 people a. Its access to 30,000 hotels round the world will be made available to Thomas Cook's online customers, and launched in other markets starting with Germany.
- **German car manufacturer BMW has laid out plans to put WiFi-equipped cars on the road as a way of jumpstarting a revolution in automotive electronics.** The prototypes of the network-enabled car are actually running in Europe. Aside from WiFi connectivity, the company said the car also sports a built-in GPS (global positioning system) capability. The carmaker calls the enhancement "on-board IP network," which works exactly the same way as a laptop or high-end mobile in connecting to the Internet using WiFi. The technology will allow downloading of MP3s and sending emails.
- **Nokia defended its move into offering internet services as it announced that it had signed a deal with France Telecom's Orange mobile phone unit to co-operate on services such as maps, advertising and games.** Operators were initially wary of Nokia's incursion into their territory when it launched its "Ovi" suite of internet services last year. But Ovi has now been accepted by three of Europe's four largest operators: Vodafone, Telefónica and France Telecom. Nokia also announced a deal to put Google's search engine directly into its high end multimedia phones. This is the first broad search deal between the two companies, although Nokia and Google have had more limited collaboration in the past, such as a deal to put YouTube video services on phones. Google has similar partnerships with most of the other leading handset manufacturers, but Nokia, with 40 percent of the market, will have the most significant impact on Google's mobile reach.

## *Semiconductors*

- **EU officials raided the offices of Intel and top European electrical goods retailers due to suspected violations on restrictive business practices and/or abuse of a dominant market position.** The officials visited Intel's Munich offices, as well as Europe's biggest electronic chain, Media Market, its second biggest, DSG International, operator of PC World, and French retailer PPR. The Commission's move comes at an unusual stage in its long-running probe into Intel, which began nearly seven years ago after a complaint from the U.S. company's smaller rival, Advanced Micro Devices. The Commission formally accused Intel six months ago of trying to do deals with computer makers to push AMD out of the central processing unit business. The latest raids appear to be focused primarily on Intel's relationships with retailers, rather than computer makers, suggesting that the Commission may be enlarging the scope of its probe.

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## Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 2/15/08)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
Japanese yen	¥/US\$	107.7200	0.4%	1.0%	-3.5%	-9.5%
Hong Kong dollar	HK\$/ US\$	7.7992	-0.02%	-0.1%	0.003%	0.3%
Chinese renmenbi	RMB/ US\$	7.1780	-0.1%	-0.4%	-1.7%	-8.0%
Singapore dollar	S\$/ US\$	1.4124	-0.3%	-0.8%	-1.8%	-8.2%
South Korean won	KRW/ US\$	944.7000	0.4%	-0.2%	1.0%	1.6%
New Taiwan dollar	NT\$/ US\$	31.7250	-0.8%	-1.7%	-2.2%	-2.7%
Australian dollar	US\$/A\$	0.9092	1.6%	3.3%	3.8%	15.3%
New Zealand dollar	US\$/NZ\$	0.7911	0.3%	3.0%	3.1%	12.4%
Philippine peso	PHP/ US\$	40.6000	0.3%	-0.2%	-1.5%	-17.2%
Euro	US\$/€	1.4685	1.2%	0.0%	0.7%	11.3%
British pound	US\$/£	1.9614	0.8%	-1.1%	-1.3%	0.1%

Fixed Income Prices and Yields							
Note	Currency	Current (on 2/15/08)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	96.62	4.58%	99.05	4.43%	112.03	4.28%
Japan 30-year	¥	102.85	2.33%	102.67	2.35%	101.6	2.41%
Hong Kong 10-year	HK\$	104.89	2.96%	108.69	2.53%	107.75	2.64%
China (06/16)	US\$	110.71	3.21%	110.71	3.21%	102.55	4.32%
Singapore 10-year	S\$	111.05	2.32%	111.90	2.21%	110.38	2.41%
South Korea 20-year	KRW	9,766.00	5.61%	9,766.00	5.61%	9,766.00	5.61%
Australia 15-year	A\$	91.53	6.33%	92.61	6.18%	92.71	6.16%
New Zealand (12/17)	NZ\$	96.75	6.45%	96.89	6.43%	97.52	6.34%
Philippines 20-year	PHP	101.59	8.53%	102.00	8.55%	119.8	8.42%
India 30-year	INR	106.14	7.79%	106.47	7.76%	107.09	7.71%
UK 30-year	£	95.63	4.53%	98.09	4.37%	97.48	4.41%
Germany 30-year	€	92.10	4.49%	93.62	4.39%	92.12	4.49%

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