



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

Week of 21 July -27 July, 2008

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Equity Market Indicators					
Index	Closing Level (7/25/2008)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
S&P 500	1,257.76	-0.2%	-1.7%	-14.3%	-11.3%
Dow Jones Industrial Avg.	11,370.69	-1.1%	0.2%	-14.3%	-8.8%
Dow Jones Tech. Index	393.73	0.5%	-1.0%	-14.3%	-4.6%
Dow Jones Telecom. Index	251.07	-3.5%	-4.1%	-19.9%	-3.5%
NASDAQ Composite	2,310.53	1.2%	0.8%	-12.9%	-4.3%
The Street.com Net	251.39	0.6%	-0.8%	-10.8%	1.7%
Japan Nikkei 225	13,334.76	4.1%	-1.1%	-12.9%	-22.6%
JASDAQ	59.31	2.4%	-2.6%	-17.8%	-31.2%
Japan Mothers	518.17	4.1%	-4.1%	-33.8%	-53.4%
Korea KOSPI Composite	1,597.93	5.8%	-4.6%	-15.8%	11.4%
Korea Kosdaq	543.26	4.0%	-8.0%	-22.9%	-10.4%
Taiwan Stock Exchange	7,233.62	6.1%	-3.9%	-15.0%	-7.5%
Singapore Straight Times	2,922.91	2.6%	-0.8%	-15.7%	-2.1%
Hong Kong Hang Seng	22,740.71	4.0%	2.9%	-18.2%	13.9%
Hong Kong GEM	764.76	1.9%	-4.1%	-43.3%	-37.6%
China Shanghai (A-Share)	3,005.58	3.1%	4.7%	-45.6%	6.8%
China Shenzhen (A-Share)	902.95	4.4%	8.8%	-40.6%	58.5%
China Shanghai (B-Share)	214.22	1.1%	2.3%	-41.5%	64.6%
China Shenzhen (B-Share)	464.53	1.1%	-2.3%	-34.5%	7.2%

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Technology, Media, Telecommunications and Life Sciences Market Activity

NASDAQ/NYSE TMT and Life Sciences IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
N/A						

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing

IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Filings

Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Pricing

IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
N/A						

Asian Markets: TMT and Life Sciences Convertibles

Issuance Date	Issuer [Equity Ticker]	Description of Issuer	Maturity Date	Size (US\$MM)	Per US\$10,000 converts to	Convertible Until
N/A						

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Weekly Highlights

International

Mobile/ Wireless

- **Global revenues from mobile data services are seen exceeding US\$200 billion this year, up from US\$157 billion in 2007, driven by the expansion of advanced networks and popular Web-browsing devices like Apple's iPhone.** First-quarter mobile data revenues rose 43 percent to US\$49 billion, UK-based research firm Informa Telecoms & Media, with Japanese NTT DoCoMo generating the most such revenue, at US\$3.6 billion. NTT overtook China Mobile which made US\$3.5 billion in sales of non-voice services in the quarter, Informa said. Telecoms carriers are anxious to drive up data revenues as their traditional business in voice calls is in steep decline, thanks to the rise of Internet telephony and price regulation. Informa said that on average carriers now made one fifth of their total sales from mobile data. Smart Communications of the Philippines was the only carrier to generate the majority of its income from non-voice services, thanks to the huge popularity of SMS text messaging in the Philippines.

Japan

Hardware

- **Canon Inc. said profit fell 13 percent in the second quarter after a stronger yen against the dollar eroded the value of overseas sales.** Net income dropped to 107.8 billion yen (US\$999 million) in the three months ended June 30, from 123.9 billion yen (US\$1.1 billion) a year earlier. Sales declined 1.9 percent to 1.1 trillion yen. Canon generates about 80 percent of its sales outside Japan. The yen's 15 percent gain against the dollar over the year to June 30 reduced the value of its overseas sales in local currency terms. The company faces a slowing economy in the U.S., its biggest overseas market for office equipment. The company kept its full-year net income forecast at 500 billion yen (US\$5 billion) and raised its sales projection for the year ending Dec. 31 to 4.59 trillion yen (US\$43 billion).

Telecommunications

- **Japan Communications signed a deal with ZTE Corp. for the supply of the 3G market in Japan with WCDMA data cards for third-generation mobile telephony starting next month.** In collaboration with its local partner, Japan Communications aims to provide local telecom customers with comprehensive range of advanced 3G network services. Financial terms of the deal were not disclosed.
- **KDDI Corp. said its group net profit for the April-June quarter dropped 12.2 percent from a year earlier to 72.5 billion yen (US\$671.7 million) as it lost subscribers to rivals like Softbank Mobile Corp. and NTT Docomo Inc.** In a consolidated earnings report for the first quarter of the current business year ending March 2009, KDDI said its pretax profit fell 12.5 percent to 124.8 billion yen, on revenue of 870.5 billion yen (US\$1.2 billion), up 3.1 percent. The company's subscriber numbers fell by about 34,000 over the three months through June after the termination of its Tu-Ka mobile phone service in March and the short-circuiting of some of its handset battery packs. In addition to the drop in customers in the first quarter, higher marketing costs and losses at its fixed-line communication business also weighed on the firm's quarterly earnings. KDDI left its group earnings

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outlook for the whole of fiscal 2008 unchanged. It is expecting a net profit of 250 billion yen (US\$2.3 billion) in fiscal 2008, up 14.8 percent from the previous year, and a pretax profit of 440 billion yen (US\$4.1 billion), up 7.9 percent, on revenue of 3.7 trillion yen (US\$34.3 billion), up 2.9 percent. The company is anticipating an increase in its full-year dividend payment to 11,000 yen (US\$102.00) per share from 10,500 yen (US\$97.33) in the previous year.

- **NTT DoCoMo's quarterly operating profit has likely risen substantially from a year ago due to smaller subsidies paid to retailers to keep cellphone prices low, the Nikkei business daily said.** Operating profit is expected to have come in between 250-300 billion yen (US\$2.3-2.8 billion) in the fiscal first quarter to June, up from 203.9 billion yen (US\$1.9 billion) a year earlier. For years, DoCoMo and other Japanese wireless carriers had kept handset prices low to win customers and tried to recoup heavy costs through calling and other service fees. But NTT DoCoMo last November introduced a new sales strategy that lowered calling fees and raised handset prices, reducing the burden of subsidy payments to retailers. No NTT DoCoMo officials were immediately available for comment.

Software

- **Roundbox, a provider of mobile broadcast software, and CTC, a provider of IT solutions and outsourcing services, have reached an agreement for CTC to distribute Roundbox mobile broadcast solutions throughout Japan.** Prior to this agreement, the companies have successfully demonstrated live mobile broadcast applications using FLO technology at numerous trade shows and events. Additionally through their collaboration, they have delivered customized demonstrations for customers, including KDDI, which incorporate operator branding, local language and advertising banners.

Media, Entertainment and Gaming

- **Suo Cable Net, a Japanese cable-TV operator, has chosen Alcatel-Lucent to design, integrate, and deploy a Gigabit Passive Optical Network (GPON) solution.** This new network, which will enable Suo Cable Net to begin rolling out high-speed internet and video services this month, will be the first commercial GPON deployment in Japan. Alcatel-Lucent will deploy its 7342 Intelligent Services Access Manager Fibre-to-the-User (ISAM FTU) solution, leveraging GPON technology to multiplex video and data services onto a single fibre. This solution supports a 2.5 Gbps downstream capacity, which will enable the highest bandwidth mass-market offering, allowing the service to deliver more content at higher speeds.

Korea

Telecommunications

- **SK Telecom posted a 26 percent drop in second-quarter net profit, as it increased spending to woo subscribers from its rivals.** SK, which controls 50.6 percent of the country's mobile market, earned 298 billion won (US\$295 million) in April-June net profit, compared with 403.3 billion won (US\$399 million) a year earlier. Profits were lower than an average forecast for 376.3 billion won (US\$372 million) from Reuters Estimates. South Korea is seeing an intensifying war over so-called 3G mobile services, with second-ranked KTF pushing aggressively for growth, and smaller rival LG Telecom entering the market last quarter. The outlook remains weak with no sign of easing competition in an already saturated market.

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- **KT Corp. reported a 30 percent drop in second-quarter net profit due to foreign currency exchange losses related to its overseas debt and weakening revenue from fixed-line calls.** For the three months ended June 30, KT posted a net profit of 160.5 billion won (US\$159.3 million), down from 229.7 billion won (US\$228 million) a year earlier. Operating profit dropped 4 percent on year to 367.6 billion won (US\$365 million) from 383.1 billion won (US\$380.2 million), while sales were up 0.7 percent at 3.0 trillion won (US\$3 billion) from 3.0 trillion won (US\$3 billion). Fixed-line call sales fell 2 percent on year while revenue from fixed-line to mobile phone calls dropped 11.6 percent. The company has US\$5.8 billion outstanding bonds issued in foreign currency, which resulted in 104.4 billion won (US\$104 million) foreign currency exchange losses.

Mobile/Wireless

- **LG Electronics announced that it will release Wine Phone in Europe and Japan simultaneously.** Wine Phones will have an enlarged button and font twice more than existing phone and placed four frequently use button right under screen, increasing conveniences. Wine Phones that goes to Europe and Japan modified design, camera pixels and colors fitting to market condition. Wine Phone for Europe that will release in 10 Europe countries will carry 2 million pixel cameras and comes in three colors, pink, dark purple and black. Wine phone for Japan is the following version of 3040 Phone released through NTT Tocomo and 3G phone with 3.6Mbps data transmission speed.
- **LG to lose handset market share in emerging markets due to economic downturn.** The company said its handset market share in emerging markets will likely decline in the second half of this year as mobile carriers cut orders due to slow demand growth. Demand in India and some countries in Latin America is slowing down amid a global economic downturn, which is forcing mobile carriers to lower handset inventories, said a company official during a conference call on its second-quarter earnings. LG, which overtook rival Sony Ericsson in the first quarter to become the world's fourth-largest handset maker by volume, said it currently ranks third in the Latin American region with a 14% market share, following Nokia Corp. and Motorola Inc. In Asia, LG is also the third-biggest mobile phone vendor after Nokia and Samsung Electronics Co.

Semiconductors

- **Hynix Semiconductor said it will close its only U.S. factory amid changes in production standards and steep price declines buffeting the industry.** Production at the facility in Eugene, Oregon, would cease by the end of September. Park Seong-ae, a Hynix spokeswoman, said the manufacturing plant was established in 1998 and employs about 1,200 people, including 150 Koreans. The company may continue to utilize the facility for a "similar business," though did not elaborate. Other options included selling the equipment, building and land to another semiconductor manufacturer, or selling the land and building and relocating the equipment. The state would deploy a "rapid response team" to assist laid-off workers.
- **Samsung shipped 45.7 million handsets during quarter, up from 37.4 million a year ago.** Samsung Electronics's second-quarter profit jumped 51 percent as its cellphone and flat-panel divisions posted solid improvements. The company's semiconductor business, traditionally its biggest source of profit, continued to slump as part of a broad downturn in the industry. Executives now believe it won't recover until next year, a change from their previous expectation for improvement in the third and fourth quarters. Samsung is the largest maker of DRAM memory used in personal computers and of flash memory used in digital music players and other gadgets.

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China

Internet

- **Baidu.com Inc. expanded its lead over Google Inc. in China's search engine market in the second quarter.** In the three months ended June 30, Baidu had 64.4 percent of the search engine market by revenue, up from 60.7 percent in the first quarter. Google's share of the market fell to 26.1 percent in the second quarter from 26.8 percent in the first quarter. China's total search engine revenues rose 87 percent from a year earlier to 1.23 billion yuan (US\$180.3 million) on increased advertising spending by small and medium-sized enterprises. Beijing Olympics in the third quarter will likely drive increased demand for Web searches in China and further advertising spending by small and medium enterprises.

Telecommunications

- **Huawei Technologies has picked two consortia in a shortlist of five private-equity bidders for a stake of around 50% in its mobile-devices unit.** The first consortium comprises Silver Lake Partners L.P. and Providence Equity Partners Ltd. and the second consortium comprises AEA Investors and General Atlantic LLC, though one of the people familiar with the situation said the companies in the consortia could change. Bids for the stake in Huawei's mobile-devices unit average around US\$2 billion, people familiar with the situation said earlier. The other shortlisted bidders are Bain Capital Partners LLC, Goldman Sachs Group Inc.'s private-equity arm, and Kohlberg Kravis Roberts & Co. The five bidders are doing due diligence on Huawei's mobile devices unit, a process set to take a few more weeks before the second round of bidding.
- **China Telecom plans to issue up to 50 billion yuan (US\$7.3 billion) worth of bonds in the domestic market for business development.** The bonds would have a maturity of up to 10 years, China Telecom said in a statement. The company will hold an extraordinary general meeting on September 5 in Beijing to seek shareholders' approval for a general mandate to issue up to 80 billion yuan (US\$11.7 billion) worth of debentures, including the 50 billion yuan (US\$7.3 billion) bond issue, from a previously approved 60 billion yuan (US\$8.7 billion).
- **Mainland fixed-line operators are intensifying their marketing efforts for internet protocol television (IPTV) services as demand increases for more interactive and on-demand viewing in the run-up to the Beijing Olympics, according to industry watchers.** China Telecom and China Netcom launched the service in 2004 on a trial basis. They partnered with broadcasters Shanghai Media Group and China Central Television to source content. China Central Television is the sole broadcaster for the Olympics, which will be delivered through terrestrial and cable television as well as the IPTV platform. ZTE had already deployed 20 IPTV operations on the mainland and the firm expected fixed-line operators would boost investment in network capacity this year to meet growth momentum.
- **China Telecom's IPTV Laboratory was recently established in Shanghai.** The IPTV business is an important part of China Telecom's digital home strategy and a key point in its strategic plan to expand to other business lines. The company has so far introduced the IPTV business in Shanghai Municipality, and in Guangdong and Fujian Provinces. The new lab will make full use of China Telecom Shanghai Research Institute's IPTV development environment and will rely on Shanghai's existing IPTV networks to promote the development and standardization of IPTV products.

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- **MediaG3 has entered into a partnership agreement with Beijing Digital Media to provide broadband wireless applications and services for interactive digital TV and internet access.** Beijing Digital Media is a joint venture among China SARFT, China Aerospace New World and Zhong Guang Cable and Information Technologies (CCIT). This partnership agreement between MediaG3 and CCIT is the first phase of cooperation for development, technology license, application deployment and information services for tens of millions CCIT and other digital cable TV/internet service subscribers.

Wireless

- **After China Telecom took over the CDMA network from China Unicom, the company is now trying to get access to 800MHz frequency.** Most CDMA cell phones has merely single mode of 800MHz, if China Telecom cannot get access to 800MHz, the single-mode CDMA cell phones will not be available for use. An analyst close to China Telecom says that China Telecom will be sure to get 800MHz frequency because related authorities will not let that situation happen. As per international roaming, CMDA networks of foreign telecom carriers are running at 800MHz frequency, so it will be fair and reasonable for China Telecom to use it too. China Unicom will officially deliver the CDMA network to China Telecom from September 30.
- **Latest statistics from the Ministry of Industry and Information indicate that the number of cell phone users increased drastically in June, while fixed line telephone users continued to fall.** And the number of broadband Internet users was growing steadily. By the end of June, China saw 957 million telephone users. Cell phone users hit 601 million. The number of telephone users reached 461 million in the more developed Eastern China, 286 million for Central China, and 206 million for Western China. Newly added broadband Internet subscribers were 9.6 million, 1.6 million in June alone, brining the total number to 76 million. In the meanwhile, the dial-up Internet subscribers decreased 3.4 million. Major Chinese telecom carriers recorded total sales of 398.8 billion yuan (US\$58.5 billion), representing an increase of 9.2%. Fixed telecom asset investment was 113.6 billion (US\$16.7 billion), up 9.9% year on year.

Hardware

- **The total number of sales outlets of Dell in China will be 3,000 by the end of 2008, according to an executive of Dell China.** By now Dell has 1,800 special stores in China, in contrast to 100 to 120 one year ago. With the helps from local partners, Dell is set to branch out into 1,200 cities around the country next year. During the past year, Dell PCs have been put on shelves of chain stores of retailing giants such as Gome, Suning, HISAP, Wal-Mart, Carrefour, BestBuy, and Staples.

Taiwan

Hardware

- **Super Micro Computer Inc. is planning to increase orders with its Taiwanese contract suppliers, including Wistron Corporation and Universal Scientific Industry Co.** The upcoming orders are expected to bring considerable profits to the Taiwanese suppliers, according to company sources. Closely working with Intel and Taiwanese contract suppliers to upgrade production efficiency, Super Micro has quickly developed a variety of servers based on IBM, HP, and Dell's existing specifications for its clients. At the moment, the firm also commands the largest share, at 40%, of the global market for generic servers, trailed by Intel with 35%.

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- **Taiwan's AU Optronics Corp. said its second quarter profit more than tripled from a year ago as stronger demand boosted prices for its displays.** But the profit missed market expectations and was lower than the first quarter's, with demand for LCDs used in PCs and flat-screen TVs showing signs of weakening amid a global economic slowdown. AU booked a net profit of NT\$20.5 billion (US\$670 million) in the April-June quarter, the company said in a statement. That was sharply higher than a revised NT\$5.9 billion (US\$194.7 million) a year earlier.

Semiconductor

- **MediaTek Inc. has appointed C. F. Liao as chief representative for its Mainland China Operation, announced the company.** Mr. Liao will take charge of MediaTek's overall strategic deployment and coordinating operation in the mainland market..

Hong Kong

Telecommunications

- **Aruba Networks announced that it is supplying secure wireless equipment to PCCW-HKT Network Services Limited for use at roughly 2,000 new Wi-Fi hot spots serving some 350 Hong Kong Government premises.** PCCW will be the network service provider of free high-speed Wi-Fi internet access at some 350 Hong Kong Government premises, including at least three public parks, for the next five years. When completed, the network will include thousands of Aruba access points as well as multiple Multi-Service Mobility Controllers located at redundant PCCW network operations centers.
- **PCCW launched its self-arranged HK\$23.4 billion (US\$3 billion) financing.** The borrower was previously sounding for a US\$3 billion deal but has now opted for a Hong Kong dollar financing. PCCW was still handing out term sheets to the 22 invited banks individually over the rest of the week. The facility is divided into three tranches of HK\$7.8 billion each (US\$1 billion). There is a three-year revolving credit, a three-year term loan and a five-year term loan. Margins on the three- and five-year tranches are 155 basis points and 175 bps over Hibor, respectively. And front-end fees are 60 bps and 100 bps, respectively. Based on a blended average life of 3.67 years, the all-in is 181.6 bps. A commitment fee of 35 bps is also in place. Funds are borrowed via HKT and guaranteed by HKT Group Holdings.

Singapore/Malaysia/Philippines/Indonesia/India

Telecommunications

- **India's telecoms industry is adding more than 8 million subscribers per month.** Robust subscriber additions are likely to boost the earnings of major Indian telecommunications service providers in the fiscal first quarter ended June 30, offsetting slipping average revenue per user, a key operational indicator. The telecommunications industry is adding over 8 million subscribers every month in India - the highest pace in the world helped by low tariffs and rising income levels. But expansion into rural areas in a bid to tap more users is hurting ARPU's of companies such as Bharti Airtel and Reliance Communications, India's largest and second largest telecom companies by users.
- **SingTel is raising its stake in its associate Globe Telecom of the Philippines.** SingTel will buy a further 2.9 percent in Globe from Ayala for about US\$104 million in cash at a 2 percent premium over Globe's closing price. When the deal is done, SingTel's shareholding in Globe will rise to 47.34

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percent from 44.47 percent. SingTel has been seeking further expansion outside of its home market of Singapore. It will do this by raising its stakes in its associates or venturing into new markets.

- **The average forecast of eight analysts polled by Dow Jones Newswires has Reliance Communications posting a net profit of INR15.08 billion (US\$358 million), up 23.5 percent on year from INR12.21 billion (US\$290 million).** Revenue is likely up 34 percent to INR57.6 billion (US\$1.4 billion) compared with INR43.0 billion (US\$1 billion) a year earlier. It posted a net profit of INR15.0 billion (US\$356 million) in the fourth quarter, on revenue of INR53.1 billion (US\$1.3 billion). Its declining ARPU will likely be the focus, while comments on minutes of usage and revenue per minute will also be watched. Net profit growth will likely be muted by rupee depreciation and a higher tax rate. Motilal Oswal expects finance cost of INR220 million (US\$5.2 million) due to the depreciation of the rupee, compared with a gain of INR81 million (US\$2 million) in the previous quarter. EBITDA margins likely to decline on quarter due to a fall in wireless margins as a result of network expansion.
- **QTel's plans to buy the remaining shares in Indonesia's PT Indosat will be blocked by a regulation limiting foreign ownership to 49 percent.** The limit throws into doubt plans by QTel to take over Indonesia's second-large mobile phone operator. QTel bought a 40.8 percent stake in Indosat from Asia Mobile Holdings for US\$1.8 billion. The Qatar firm already held a 25 percent stake in Asia Mobile, while Singapore ST Telemedia had the remaining 75 percent. The deal effectively lifted QTel's stake in Indosat from around 10 percent. Gatot Dewa Broto, a spokesman at Indonesia's communications ministry, was also quoted by the Reuters report saying that there was a 65 percent limit for foreign ownership for mobile phone operators and a 49 percent limit for fixed-line telecommunication companies. Indosat's main revenue comes from its mobile phone business, but it also has a fixed-line operation.
- **MobileOne's second-quarter net profit rose 1.2 percent as higher service revenue helped offset greater costs.** Net profit for the quarter ended June 30 was S\$41.1 million (US\$30.2 million) compared with S\$40.6 million (US\$30 million) a year earlier. Singapore regulators recently allowed mobile phone users to switch carriers while keeping phone numbers unchanged. MobileOne said such number portability led to increased competition, driving up costs of attracting and retaining customers.
- **Idea Cellular Q108 consolidated net profit down 15 percent due to higher operating costs and forex losses.** Consolidated net profit for the quarter ended June 30 was INR2.6 billion as compared with INR3.1 billion (US\$73.3 million) in the year-earlier quarter. Consolidated net sales in the April-June quarter rose 47 percent to INR21.7 billion (US\$515.4 million) as against INR14.8 billion (US\$350.3 billion) in the comparative year ago period, as it added 3.19 million subscribers during the three months. June 30, the company's total subscriber base was 27.2 million, with a 9.6 percent market share.
- **Idea Cellular Ltd.'s move to buy 40.8 percent of Spice Communications Ltd. and then merge the two companies is under the government's review for violation of the telecommunication policy.** A merger between two players in a service area is disallowed for three years from the date of telecom license issuance in that area. There are six such areas in which either Idea or Spice have been granted telecom licenses in January. The deal also violates another clause that says a service provider can't hold over 10 percent in another provider in the same service area.

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- **Bharti Airtel' first-quarter net profit increased by a better-than-expected 34 percent, as subscriptions rose in the world's fastest-growing wireless market.** Net profit for the three months to June was 20.3 billion rupees (US\$470 million) from 15.1 billion rupees (US\$358 million) for the same period a year ago. Revenues climbed 44 percent to 84.8 billion rupees (US\$2 billion). The company added a record 7.5 million customers during the quarter, the most ever in a single three-month period. The customer base jumped 61 percent to 70 million most of them in the mobile sector, during the quarter from the same period a year earlier. The company would maintain its guidance for standalone capital expenditure at US\$2.5 billion for the year to March-end.
- **Russian operator OAO Vimpel Communications acquires 90 percent of Cambodian GSM license-holder Sotelco.** It would enter the Cambodian mobile market as part of a wider push into Southeast Asia that began last year in Vietnam. VimpelCom had paid US\$28 million for 90 percent of Sotelco, an operator licensed to provide services in the Global System for Mobile communications, or GSM, 900/1800 standard. VimpelCom and arch rival OAO Mobile TeleSystems, or MTS, are searching for new growth areas as domestic growth slows. As well as Asia, the operators have cited Africa among regions of potential interest, while MTS' parent company AFK Sistema is setting up a provider in India. VimpelCom had agreed the terms of its joint venture in neighboring Vietnam. Vodafone confident 450 million pounds (Ghana deal will be approved

United States/Canada

Telecommunications

- **U.S. telecoms posts net profit of US\$3.77 billion; fixed lines decline 8% but broadband subscriptions up.** AT&T Inc. posted a steep drop in total access lines in the second quarter, but results were buoyed by continued growth in wireless and data services. The Dallas telecommunications company reported net income of US\$3.77 billion. Revenue rose 4.7% to US\$30.87-29.48 billion a year ago. The wireless business continued to grow in the quarter, with revenue up 15.8% and revenue from data services such as text messages up 52%. Still, the business faces pressure from rivals. The company added 1.3 million net new customers in the quarter, down 123,000 from a year ago. It added 894,000 net new customers who signed long-term contracts. The turnover rate for those customers fell to 1.1% from 1.2%. AT&T was hurt by a slowdown in Apple Inc.
- **Verizon Wireless is offering to divest airwaves in 85 markets as a part of talks with the Justice Department over a pending merger with Alltel Corp.** The separations would appease regulators' antitrust concerns over the proposed merger, which would create the nation's largest cellphone company. Verizon Wireless, a joint venture between Verizon Communications Inc. and Vodafone Group PLC, said it is committed to divesting overlapping properties with Alltel in the entire states of North Dakota and South Dakota and in parts of 16 additional states. The markets in which it is volunteering to strip holdings represent a preliminary list that may be expanded following additional discussions with the Justice Department.
- **U.S. telecoms call for greater scrutiny of rivals' wireless Internet rollout plan. AT&T Inc., which has the largest wireless subscriber base in the U.S., is asking the Federal Communications Commission to deny a merger request from Sprint Nextel Corp. and Clearwire Corp.** Sprint and Clearwire announced their intention to merge last month, saying the venture would facilitate a national wireless Internet network that would operate on a block of airwaves partly reserved for schools, cities and other nonprofits. Sprint Spokesman Scott Sloat said almost 50 public entities that have access to those airwaves filed comments favoring the merger. Under Sprint

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and Clearwire's plan, the nonprofit and municipal entities that hold licenses in the same channel range will lease those airwaves to Sprint and Clearwire. With that and the Sprint and Clearwire holdings, the merged company will roll out its wireless Internet service.

- **Qualcomm issued fourth-quarter and full-year earnings guidance that fell short of Wall Street targets.** Qualcomm now estimates earnings at US\$2.11 to US\$2.13 per share. The lower end is an increase from its June guidance in the range of US\$2.09 to US\$2.13, though analysts were estimating US\$2.15 per share. Qualcomm estimates fourth-quarter revenues at US\$2.5 billion to US\$2.7 billion. Analysts were expecting just over US\$2.7 billion. The company and Nokia also announced that they have ended a long-running licensing dispute and agreed to drop all legal complaints against each other in the US, Europe and Asia.

Internet

- **Amazon.com reported second-quarter profit that rose more than analysts estimated as customers bought flat-panel TVs and jewelry and the dollar's decline boosted overseas sales.** Net income doubled after Chief Executive Officer Jeff Bezos promoted free shipping and lower prices to entice U.S. customers grappling with declining home values and record gasoline prices. Amazon.com's results mimic growth in Web sales at department- store chain J.C. Penney Co. and Gap Inc., suggesting more shoppers are heading online to buy clothing and televisions. Amazon.com climbed 8.6 percent to US\$76.58. Full-year sales may rise to as much as US\$20.1 billion, compared with an earlier forecast of as much as US\$20 billion, Amazon.com said. The retailer expects full-year operating income of US\$745 million to US\$920 million.
- **Google Inc. has launched an online-publishing service that is a potential competitor to Wikipedia.** Google took the wrappings off its previously announced publishing-and-reference service called Knol, which allows users to write articles on specific topics and to make money from them. By trying to provide such content, the service is likely to compete with online encyclopedia Wikipedia, whose articles tend to rank highly in Google search results. Cedric Dupont, a product manager for Knol, described the service as a way to improve Google's search results by making the "information in people's heads" searchable.
- **Mark Zuckerberg announced new features for Facebook at developers conference.** Admitting he's made mistakes but giving no details about how his company plans to generate revenue and fulfill its massive valuation, Zuckerberg made a pitch to developers who build on his company's site, asking them to improve their applications for users and providing incentives for them to do so. Zuckerberg announced a number of new features for the site at the company's developer conference in San Francisco, as he tried to smooth tensions between the company and third-party developers. But Zuckerberg did not discuss the new payment system that Facebook is developing, or other new ways that Facebook will generate revenue and begin to live up to the expectations of a US\$15 billion valuation given it by virtue of Microsoft Corp.'s investment in the company.
- **Yahoo Inc.'s slump continued during the second quarter, as profit fell 18 percent, and the company delivered revenue growth on the lower end of its expectations.** The company demonstrated promising signs of being able to diversify its business to cope with the weak economy. Yahoo ended the months-long proxy battle with Mr. Icahn by agreeing to allow him along with two directors he recommends to serve on its board. But the settlement leaves the door open to further uncertainty about possible strategic and management changes at a time when the company also has lost a number of executives, and its online-advertising business faces competition and economic headwinds.

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- **Yahoo Inc. indicated in a letter sent to its shareholders the company will consider selling its stake in Yahoo Japan Corp. as a way to maximize value for shareholders.** The letter was apparently referring to Yahoo's 33 percent equity holding in the Japanese subsidiary and Alibaba.com, a company which operates Internet business in China. The letter sent by the Yahoo board is designed to urge shareholders to vote against a proposal made by Microsoft Corp. and billionaire investor Carl Icahn.
- **Yahoo Inc. agreed to appoint Carl Icahn and two of his allies to its board, removing the threat of a proxy fight while also clouding the prospect for a deal with Microsoft Corp. in the immediate term.** The settlement, which will give Icahn three of 11 seats, marks only a partial victory for the investor, who has been prodding Yahoo's board to get rid of Chief Executive Jerry Yang and sell all or part of the company to Microsoft. How much clout the activist investor can wield on a board that has so far shown strong opposition to his agenda remains to be seen. With only three seats, Icahn, who owns 5 percent of Yahoo, may find himself able to do little more than agitate. But his presence is likely to keep pressure on the Internet company and Yang, whom investors have criticized as being unwilling to consider big strategic changes.

Semiconductors

- **Analog Devices Inc. expects its China revenue to increase about 20% for the financial year 2008, boosted by strong chip demand for wireless equipment, according to market reports.** China accounted for about 13% of the company's total revenue in its fiscal year ending October 2007, compared to Europe's 24% share and Japan's 20% share, sources said. Analog Devices expects China's share in the company's total revenue to compete with that of electronics giant countries like Japan and Europe in the next few years, according to Howard Cheng, vice president for Asia sales and marketing. The company mainly designs, manufactures and markets analog, mixed-signal and digital signal processing integrated circuits used in industrial, communication, computer and consumer applications.

Software

- **Microsoft Corp. will announce plans to bring its Web search and search ads to social networking site Facebook Inc.** The deal could be a big leap for the software giant, allowing searches from Facebook's 90 million members to pass through its system. The relationship is an extension of the existing partnership between the two companies. Microsoft, which owns a stake in Facebook, already has an exclusive agreement to sell banner ads on the social networking site. The partnership will be for U.S. Facebook users only, and it wasn't immediately clear whether it would be exclusive

Hardware

- **iPhone shipments hit 717,000 during quarter and Apple issues a conservative Q3 guidance.** Apple Inc.'s fiscal third-quarter net income climbed 31% as the consumer-electronics icon recorded shipment growth in its three big product lines. The company also issued fourth-quarter guidance that is in keeping with its tendency to be conservative in its pronouncements about future results, helping to drive shares down 4.6% in after-hours trading. The maker of Macintosh computers and the iPod reported net income for the quarter ended June 28 of \$1.07 billion. Revenue rose 38% to \$7.46 billion. Analysts polled by Thomson Reuters expected per-share earnings of \$1.08 on revenue of \$7.37 billion. Shipments rose 12% to 11 million for the iPod and 41% to 2.5 million for the Mac. iPhone shipments more than doubled to 717,000 from 270,000.

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- **Western Digital Corp. forecasts profit that falls short of analysts' estimates.** Sales will range from US\$2.05 billion to US\$2.15 billion in the period, which ends in September. A buildup of competitors' products is making it harder to negotiate prices with customers, Chief Financial Officer Timothy Leyden said on a conference call. Western Digital, which ranks behind Seagate Technology in disk-drive sales, sought to counter the oversupply by shutting plants for one week this year.

Europe

Mobile/ Wireless

- **America Movil's Comcel leads Colombia's 35.74 million-strong mobile market.** The number of mobile telephone subscribers in Colombia rose to 35.7 million as of the end of June, up 6.4% from 33.6 million at the end of March. Comcel, the Colombian unit of Mexico-based America Movil SAB, controlled the biggest slice of the market with 22.7 million subscribers, up from 22.5 million at the end of March, the regulator. Comcel controls 64% of the Colombian market. Spain's Telefonica SA reported 9.4 million subscribers at the end of the second quarter, up from 8.8 million at the end of March. The market share of Telefonica in Colombia is 26%. Colombia Movil SA, the local unit of Millicom International Cellular SA, was third with 3.7 million subscribers, up from 3.4 million at the end of March. The company holds a 10% share of the Colombian market. The total number of subscribers in Colombia at the end of 2007 rose 17% compared with the end of 2006.

Telecommunications

- **TeliaSonera reported a 7.8 percent rise in second-quarter net profits, mainly thanks to stronger revenues and margin improvements.** The company also reiterated its forecast for 2008, saying sales were expected to continue to show stable growth compared with 2007. TeliaSonera's net profit in the quarter edged up to 4.1 billion kronor (US\$680 million), rising from 3.8 billion kronor in the same three months a year ago. Second-quarter sales shot up to 25.3 billion kronor (US\$4.2 billion), an increase from 23.9 billion kronor in the same three-month period in 2007. TeliaSonera was recently targeted by a 27 billion euros (US\$42.5 billion) indicative bid by France Telecom, but rebuffed it saying it was too low. The French telecommunications company later dropped the offer, would have created the world's No. 4 telecom operator with 237 million subscribers and holdings in developed and emerging markets.
- **Telenor reduces 2008 reported revenue growth forecast to 3 percent from 5 percent due to challenging macroeconomic conditions.** Second-quarter net profit rose 8.7 percent, but it reduced its revenue growth outlook due to economic concerns. Net profit in the three months ending June 30 rose to NOK3.54 billion (US\$698.4 million) from NOK3.25 billion (US\$631 million) in 2007, missing analysts' forecasts for net profit of NOK3.67 billion (US\$712.3 million). Revenue in the quarter rose 2.9 percent to NOK23.84 billion (US\$4.6 billion). Operating profit rose to NOK3.88 billion (US\$753.1 million). Telenor expects 2008 group revenue growth of around 3 percent, down from the guidance of 5 percent in the prior quarter, excluding its Kyivstar operations. Kyivstar, Telenor's majority-owned mobile phone operator in Ukraine, is included as an associate company because of legal disputes in Ukraine with Telenor's Russian partner, Alfa Group.
- **French entertainment and telecom company Vivendi SA posted a 15 percent rise in second-quarter revenue, boosted by its acquisition of broadband and fixed-line carrier Neuf Cegetel, and confirmed its 2008 profit outlook.** Revenue for the three months ended June 30 increased to 5.99 billion euros (US\$9.4 billion) from 5.2 billion euros (US\$8.1 billion) a year earlier, below an

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average forecast of 6.1 billion euros (US\$10 billion) from eight analysts polled by Dow Jones Newswires.

- **Deutsche Telekom's CFO says company is mulling share buyback, reaffirms full-year outlook. The company is internally discussing a possible share buy back.** Nothing has been decided yet though, he said, adding that to make a decision, the long-term cash flow of the company must be taken into account. Eick didn't want to comment on possible takeover targets and said that at the moment, the company is busy enough with the integration of Greece's Hellenic Telecommunications Organization S.A. Deutsche Telekom has been repeatedly named as an interested buyer for U.S. peer Sprint Nextel Corp. The CFO confirmed the company's outlook for the full year and there is no reason to doubt this.
- **Deutsche Telekom says it will launch voluntary severance package in autumn, further job cuts could follow.** The company said it plans to reduce the workforce in its business customer unit, T-Systems. The company plans to introduce a new voluntary severance package this autumn, but doesn't rule out the possibility of job cuts in the future. From Sept. 2008 to Feb. 2009, T-Systems will offer employees a new voluntary severance package. Severance will be based on the employee's age and length of employment and will be offered to both managerial and non-managerial staff.
- **Millicom International Cellular S.A. announced that it has agreed to acquire 100 percent of Amnet Telecommunications Holding Limited (Amnet) for an enterprise value of US\$510 million.** Completion of the acquisition, which is subject to customary approvals, is expected within three months. Amnet began operations in Central America in 1997 and is owned by private investors. It is the leading provider of broadband and cable television services in Costa Rica, Honduras and El Salvador, provides fixed telephony in El Salvador and Honduras, and provides corporate data services in the above countries as well as Guatemala and Nicaragua. Across its various markets and product offerings, it has in excess of 350,000 corporate and residential customers. In the 12 months ended December 2007, it reported revenue of US\$143 million and EBITDA of US\$56 million.
- **KPN says domestic business' 2008 EBITDA will be flat, having previously predicted a 100 million euros (US\$157 million) decline.** Second-quarter net profit fell 12 percent due in part to a higher tax rate and higher interest, but shares rose after the Dutch telecom operator raised the outlook for its domestic business. Net profit for the three months ending June 30 was 353 million euros (US\$553.2 million) compared with 400 million euros (US\$627 million) a year ago, below analysts' expectations for net profit of 380 million euros (US\$596 million). But at its domestic business, KPN now sees flat EBITDA compared with its previous guidance of 100 million euros (US\$157 million).
- **Mobistar announced results for the first semester of 2008.** Despite continued competition and the persistent pressure from regulating authorities, Mobistar was able to achieve results that exceeded the initial guidance. The Mobistar group's customer base, including MVNO's, grew by 14.8 percent compared to June 2007. The increase in the number of active customers has a positive effect on revenues, but cannot prevent that the decrease of the roaming and mobile termination rates (MTR) had a negative influence on the ARPU. Regulations had a 55.9 million euros (US\$87.6 million) impact in the first semester of this year, taking the BIPT's new decision regarding the MTR partially into account. In line with expectations, Mobistar manages to keep its EBITDA margin stable at 41.9 percent of service revenues, thanks to continued cost controlling and the favorable evolution of its commercial activities.

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- **Mobistar announced that it will continue with its current strategy in 2008.** The operator remains convinced that the “mobility centric approach” is the best way to create value for its shareholders and offer optimum service to its customers. In addition to the growth of voice traffic, the use of mobile data services offers a major potential for growth. In the residential market, Mobistar will continue to replace fixed with mobile telephony. In the professional market, Mobistar will continue to offer convergent solutions and continue to invest in expanding its fixed-line products. Mobistar doesn't expect additional decreases in addition to the MTR decrease in May and June 2008.
- **Millicom reports Q208 financial results.** Subscribers increased by 58 percent bringing total subscribers to 28.5 million. Revenues increased 37 percent to US\$843 million compared to last year's US\$613 million. Net profit grew 33 percent to reach US\$132 million against last year's US\$99 million.
- **Vodafone Group PLC launched a 1 billion pound (US\$2 billion) share buyback program in an attempt to boost its share price following a disappointing reaction to its first quarter results.** The move worked initially, with the stock trading up 4 pence, or 2.8 percent. The buyback should give the shares some support, but there's unlikely to be a sustained rally until the company shows that it's more resilient to economic weakness. The company saw its stock fall more than 13 percent, wiping about 10 billion pounds (US\$400 billion) off its value, after it said it now expects full year revenue at the low-end of its guidance, flagging a weakening economy which analysts believe could be the start of a worsening trend.

Semiconductor

- **Infineon Technologies AG plans to cut about 3,000 jobs after its third-quarter loss tripled.** The company lost 592 million euros (US\$930 million) in the three months ended June 30, more than double the shortfall predicted by analysts, from 197 million euros a year earlier as prices fell at the Qimonda AG memory-chip unit. Infineon will eliminate 10 percent of its more than 29,000 positions. Infineon hasn't reported a profit for six straight quarters as declining chip prices and the fall in the dollar against the euro hurt profitability. Chief Executive Officer Wolfgang Ziebart stepped down last month after disagreeing with the board. Peter Bauer, his successor, is restructuring Neubiberg, Germany-based Infineon to increase efficiency and reduce expenses.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 7/25/08)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
Japanese yen	¥/US\$	107.8500	0.8%	1.7%	-4.2%	-9.4%
Hong Kong dollar	HK\$/ US\$	7.7980	0.01%	0.0%	-0.1%	0.3%
Chinese renmenbi	RMB/ US\$	6.8180	0.02%	-0.5%	-6.6%	-12.6%
Singapore dollar	S\$/ US\$	1.3600	0.6%	0.0%	-5.9%	-11.6%
South Korean won	KRW/ US\$	1,007.2500	-0.6%	-4.1%	7.6%	8.3%
New Taiwan dollar	NT\$/ US\$	30.4000	0.2%	0.2%	-6.5%	-6.7%
Australian dollar	US\$/A\$	0.9561	-1.5%	-0.2%	9.3%	21.2%
New Zealand dollar	US\$/NZ\$	0.7411	-2.8%	-2.7%	-4.2%	5.3%
Philippine peso	PHP/ US\$	43.9800	-0.5%	-1.8%	6.7%	-10.3%
Euro	US\$/€	1.5709	-0.9%	-0.3%	6.8%	19.0%
British pound	US\$/£	1.9905	-0.4%	-0.1%	-0.1%	1.6%

Fixed Income Prices and Yields							
Note	Currency	Current (on 7/25/08)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	96.33	4.60%	95.61	4.65%	97.49	4.53%
Japan 30-year	¥	101.09	2.44%	101.06	2.44%	101.61	2.41%
Hong Kong 10-year	HK\$	99.31	3.68%	100.12	3.58%	100.14	3.58%
China (06/16)	US\$	109.06	3.38%	109.06	3.38%	109.12	3.37%
Singapore 10-year	S\$	105.25	3.38%	105.45	3.36%	103.28	3.61%
South Korea 20-year	KRW	9,791.25	5.86%	9,757.97	5.88%	9,709.78	5.89%
Australia 15-year	A\$	95.69	6.24%	94.81	6.35%	93.92	6.45%
New Zealand (12/17)	NZ\$	99.39	6.09%	99.50	6.07%	97.23	6.39%
Philippines 20-year	PHP	80.76	11.05%	80.02	11.09%	83	10.70%
India 30-year	INR	87.00	9.68%	86.87	9.70%	91.67	9.16%
UK 30-year	£	101.89	4.63%	101.21	4.67%	102.97	4.57%
Germany 30-year	€	90.89	4.82%	86.99	4.85%	87.46	4.82%

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