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

Week of 27 October - 2 November, 2008

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Equity Market Indicators					
Index	Closing Level (10/31/2008)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
S&P 500	968.75	10.5%	-16.9%	-34.0%	-31.7%
Dow Jones Industrial Avg.	9,325.01	11.3%	-14.1%	-29.7%	-25.2%
Dow Jones Tech. Index	274.78	10.0%	-18.0%	-40.2%	-33.4%
Dow Jones Telecom. Index	184.79	9.6%	-15.2%	-41.0%	-28.9%
NASDAQ Composite	1,720.95	10.9%	-17.7%	-35.1%	-28.7%
The Street.com Net	188.52	9.7%	-19.2%	-33.1%	-23.8%
Japan Nikkei 225	8,576.98	12.1%	-23.8%	-44.0%	-50.2%
JASDAQ	43.89	4.8%	-16.2%	-39.2%	-49.1%
Japan Mothers	299.24	0.8%	-25.7%	-61.8%	-73.1%
Korea KOSPI Composite	1,113.06	18.6%	-23.1%	-41.3%	-22.4%
Korea Kosdaq	308.03	11.3%	-30.1%	-56.3%	-49.2%
Taiwan Stock Exchange	4,870.66	6.4%	-14.8%	-42.7%	-37.7%
Singapore Straight Times	1,794.20	12.1%	-23.9%	-48.2%	-39.9%
Hong Kong Hang Seng	13,968.67	10.7%	-22.5%	-49.8%	-30.0%
Hong Kong GEM	364.53	-4.5%	-34.0%	-73.0%	-70.2%
China Shanghai (A-Share)	1,816.31	-6.0%	-24.6%	-67.1%	-35.5%
China Shenzhen (A-Share)	495.22	-6.9%	-23.2%	-67.4%	-13.1%
China Shanghai (B-Share)	88.47	-11.5%	-33.4%	-75.8%	-32.0%
China Shenzhen (B-Share)	222.99	-9.0%	-28.4%	-68.6%	-48.5%

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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 mobile handset shipments grew 5.4 percent in the third quarter, compared with 13.2 percent a year prior, as emerging markets growth slowed to its lowest rate since 2002.** The important fourth quarter, which includes the crucial holiday shopping season, is also forecast to be lackluster, deepening the gloom for major handset makers hoping for a sales upswing from new models and services. Strategy Analytics' latest report on the handset market forecast 345 million units will be sold in the fourth quarter, 5 percent up on last year, a sharp slowdown from the 12.3 percent year-on-year growth in the same period last year. It expects 1.2 billion units for the full-year 2008, up 9 percent from 2007. Nokia Corp., Samsung Electronics, and LG Electronics all reported sluggish sales in major developing regions such as China, India, Russia and South America. This marked slowdown in shipments to emerging markets caused the global industry's weakest growth rate since the fourth quarter 2002.
- **New research finds over 80 percent of consumers would switch to an operator offering a higher level of customization.** The uptake of new mobile services and applications is being stifled by the inability of mobile subscribers to personalize their handsets. 80 percent of customers would use mobile services more if a greater level of personalization is available. 68 percent of mobile users find it frustrating that when they buy a new phone they already know it will come with features that they are unlikely to ever use. Two thirds of the 4,000 consumers surveyed said they would be willing to pay a premium to tailor their handsets. The survey, which involved the participation of 2,000 mobile subscribers in the U.S. and 2,000 based in the U.K., also measured the current usage of a number of mobile applications. It found that revenue-generating mobile services such as email, Internet browsing and picture messaging are currently the most frequently used applications other than voice and SMS. However, the research also found that a large proportion of respondents have still never used these applications.

Hardware

- **This year, Netbooks are predicted to account for 10 percent of the notebook PC market.** The overall sales of Netbooks reached 80,000 units so far this year. Also, PC makers are rolling out their own Netbooks one after another, raising the sales to 170,000-180,000 units in the end of this year. That is 10 percent of the overall notebook PC market in Korea. Considering that the enterprise buyers account for a half of the demand, one out of 5 individual consumers buys a Netbook. Samsung Electronics rolled out its own Netbook, NC10. But, it became sold out in almost all retail stores, selling more than 10,000 units in a month. Samsung Electronics will sell 6 million Netbooks around the world in 2009 in its workshop with suppliers.

Japan

Hardware

- **Konica Minolta Holdings Inc. decreased full-year net profit forecast 40 percent to 42 billion yen (US\$426.6 million) after decreasing net profit 22.2 percent to 29.3 billion yen (US\$297.6 million) for the half-year.** Revenue was up 1.5 percent to 533 billion yen (US\$5.4 billion). Operating

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profit decreased 14.7 percent to 48.7 billion yen (US\$494.6 million) and ordinary profit fell 12.4 percent to 47.9 billion yen (US\$486 million). An interim dividend of 10 yen (US\$0.10) was declared and an annual dividend of 20 yen (US\$0.20) per share is estimated. Full-year revenue forecast is down 6.8 percent.

- **NEC Corp., Hitachi Ltd. and Sharp Corp. issued dismal earnings outlooks for fiscal 2008 showing that Japanese companies are feeling increasingly pressured by flagging consumption and the growing risks of a global economic downturn triggered by the global financial and market turmoil.** NEC said its group operating profit in the April-September period halved to 13.4 billion yen (US\$136.1 million). Its pretax profit dropped 28.3 percent to 7 billion yen (US\$71.1 million). The company attributed the decline to a sales drop in the network systems area and in its electron devices and semiconductor business as well as growing development costs. The electronics maker has decided not to pay an interim dividend initially set at 4 yen (US\$0.04) per share due to possible impairment losses from historic sell-offs on stock markets worldwide. It also did not disclose a full-year dividend forecast, leaving open the possibility that it will skip payment of an annual dividend.
- **Fujifilm Holdings would cut 1,250 jobs at its printer unit, Fuji Xerox Co., amid falling demand.** 25 percent drop in operating profit for the six months to September and would spend up to 35 billion yen buying back up to 3.4 percent of its shares. The Japanese maker of digital cameras and photo films would also transfer about 1,250 Fuji Xerox employees into marketing jobs from administrative and other tasks. The job cuts at Fuji Xerox would be made through early retirement, and cost an estimated 8 billion yen (US\$81 million) in the year to next March, and an additional sum in the next year. The cuts will trim about 5 percent from Fuji Xerox's staff.
- **Sony Corp. said a total of five personal computer makers, including Hewlett-Packard Development Co. of the U.S. and Japan's Toshiba Corp., are set to recall about 100,000 of its lithium ion batteries used in their notebook personal computers due to overheating concerns.** The other three PC makers are Dell Inc., Lenovo Group Ltd. and Acer Inc. 40 incidents of overheating, including some causing smoke or flame, have been reported overseas involving notebook computers using its 2.15Ah lithium ion cells. Of the 40, four led to minor burn injuries and 21 caused minor property damage. The batteries subject to the recall are those made from October 2004 to June 2005, and production line adjustments made during the period may be the cause of the overheating. The batteries subject to the worldwide recall include about 2,000 packs sold in Japan.

Media, Entertainment and Gaming

- **Perfect World announced that its 3D multiplayer online role-playing game Chibi had found its way into the Japanese market by signing up with local partner C&C Media Company Limited.** Chibi is the fourth game of Perfect World to land on Japan following the heels of Perfect World International version, Wulinwaizhuan, and Zhuxian. Chibi has been well received by game players since its debut early this year for its vivid image, unique system configuration, and historical subject. The game has thus far been introduced to Malaysia, Taiwan, Hong Kong, etc.
- **Nintendo Co. Ltd. will likely launch a new model of its top-selling handheld player, the DS, in overseas markets by the summer of 2009.** Nintendo will start selling the DSi, which can take pictures, play music and is slimmer than the current model, for 18,900 yen (US\$192), in a move to revive slowing domestic sales ahead of the critical holiday season. Nintendo previously planned an overseas DSi launch in 2009. DS sales in the April-September fiscal first half grew 3 percent from a year earlier to 13.73 million units worldwide, beating Sony Corp's PlayStation Portable by 2-to-1. The

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DS and Wii console, which has outstripped both Sony's PlayStation 3 and Microsoft Corp's Xbox 360 in global sales, have been Nintendo's twin growth engines in recent years.

Telecommunications

- **Softbank Corp. said its group operating profit for the April-September period rose 7.3 percent from a year earlier to an all-time high of 180 billion yen (US\$1.8 billion) because of the strong profitability of its Internet, fixed-line communications and broadband infrastructure operations.** The Internet conglomerate and the company, which usually does not release a full-year earnings outlook, expects its operating profit to rise 4.8 percent to 340 billion yen (US\$3.5 billion) in the business year to March 2009. But its first-half earnings results were mixed with group net profit falling 11.5 percent from a year earlier to 41.12 billion yen (US\$122 million) and group sales sliding 2.6 percent to 1.33 trillion yen (US\$13.5 billion) due to a decline in sales of its mobile handsets despite steady growth in the number of its subscribers. Softbank, which has a share of around 18 percent in Japan's mobile phone services market, acquired an additional 142,800 subscribers in September, beating its bigger rivals for the 17th consecutive month.
- **Japan's DSL service provider eAccess would conduct a tender offer for DSL service provider ACCA Networks, in which it already has a 45.1 percent stake, and plans to merge with the company in May 2009 in order to survive in a shrinking DSL market.** The tender offer will be conducted through November 28, 2008. The move came as Japan's DSL subscriber base continues to decrease, especially in urban areas, as a result of growth expansion of fibre-to-the-home (FTTH) services. With DSL as their main businesses, both eAccess and ACCA Networks are facing a challenging market environment. eAccess hopes that a merger with ACCA would help improve efficiency of their respective operations by generating synergies from the integration of sales, marketing, distribution, customer services and back-office functions. eAccess still sees some growth potential in Japan's DSL market.
- **NTT DoCoMo reported that its operating revenues for the first half the current fiscal year ending March 31, 2009 amounted to 2.3 trillion yen (US\$23.2 billion), down 2.5 percent year-on-year.** Operating income for the six months jumped 41.2 percent to 576.9 billion yen (US\$5.9 billion). Net income rose to 346.7 billion yen (US\$3.5 billion). For the quarter ending 30 September 2008 alone, its operating revenues amounted to 1.1 trillion yen (US\$11.1 billion), while operating income and net income stood at 280.5 billion yen (US\$3 billion) and 173.1 billion yen (US\$2 billion), respectively. The operator reported 53.9 million mobile subscribers at end-September, including 46.4 million 3G "FOMA" and 7.5 million 2G "mova" subscribers. NTT's strong profit rise was partly attributable to its introduction of a new business model last November which lowered services fees but with higher handset prices for mobile users.

Korea

Telecommunications

- **SK Telecom Co.'s third-quarter net profit fell 57 percent from a year earlier on higher marketing costs and due to the lack of one-time gains that boosted last year's bottom line.** The company posted a net profit of 333.6 billion won (US\$260.3 million), down from 776.8 billion won (US\$606.2 million) a year earlier. The company booked 373.1 billion won (US\$291.2 million) in a one-time gain from converting its bond holdings in China Unicom Ltd. into a 6.6 percent equity stake and an equity-method gain of 243.2 billion won (US\$189.9 million) from its investment in SK C&C Co. The result came in below market expectations of 369.3 billion won (US\$288.2 million). But the

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net income improved from a profit of 298 billion won (US\$233 million) in the second quarter. Operating profit fell 6.1 percent on year to 504.1 billion won (US\$393.4 million) from 536.6 billion won (US\$418.8 million), while sales increased 3 percent to 2.9 trillion won (US\$2.3 billion) from 2.8 trillion won (US\$2.2 billion). Korea's telecom market is extremely competitive and its three mobile carriers increased their marketing spending in the past couple of years to keep their subscribers and attract users to new services, hurting their profitability.

- **KT Corp. said that its operating revenues for the third quarter of this year amounted to 2.9 trillion won (US\$2.3 billion), down 1.5 percent year-on-year.** Operating income for the quarter grew by 2.5 percent year-on-year to 329.4 billion won (US\$257.1 million), while EBITDA grew 1.2 percent to 889.7 billion won (US\$694.3 million). Net profit for the third quarter dropped 37 percent y/y to 161.4 billion won (US\$126 million), hit by foreign-currency exchange losses related to its overseas debt. The company had US\$1.98 billion in outstanding bonds issued in foreign currency at the end of September, which resulted in 150-billion-won (US\$117 million) foreign-currency exchange losses. The company's fixed-line subscribers decline 2.6 percent to 20.62 million users at the end of September, from 21.18 million a year earlier. The number of its broadband internet subscribers rose by 3.5 percent to 6.75 million as of the end of September, from 6.52 million a year earlier.

Semiconductor

- **Pixelplus Co. Ltd. announced unaudited financial results for the third quarter of fiscal 2008.** Revenue for the third quarter of fiscal 2008 was US\$3.7 million, compared to US\$3.1 million in the second quarter of fiscal 2008, and US\$3.9 million in the third quarter of fiscal 2007. Pixelplus' weaker-than-expected revenues in the third quarter were mainly attributable to the economic slowdown in China, which caused the Company to sustain lower-than-anticipated revenues arising from its supply of image sensors to module makers and handset manufacturers in China. Net loss in the third quarter of fiscal 2008 was US\$2.9 million, or a net loss of US\$0.84 per diluted ADS, compared to a net loss of US\$2.3 million, or a net loss of US\$0.68 per diluted ADS, in the second quarter of fiscal 2008, and a net loss of US\$1.2 million, or a net loss of US\$0.36 per diluted ADS, in the third quarter of fiscal 2007.
- **Hynix Semiconductor Inc. expected the memory chip industry to see supply growth very much limited in 2009, as most chip makers suffer losses and falling chip prices.** Hynix will also make sure to maintain sufficient liquidity levels.

China

Semiconductor

- **Semiconductor Manufacturing International Corporation (SMIC) suffered a US\$30.3 million net loss in the third quarter of 2008, swelling from US\$25.6 million a year earlier.** Figure was smaller than both its loss of US\$45.6 million in the second quarter and the US\$52.6 million forecasted by analysts. Loss per ADS stood at US\$0.08, smaller than US\$0.06 in the comparable period of 2007. Gross profit margin slipped from 10.8 percent a year ago to 7.2 percent. Operating revenue was US\$376 million, declining nearly 4 percent from US\$391.4 million in the prior July - September period. As part of its efforts to cut costs, SMIC will suspend planned production capacity expansion before there are warm-up signals in end-customer demand.

Telecommunications

- **Datang Mobile is expected to win the largest share of China Mobile's contracts to build TD-SCDMA networks in 28 cities, the China Business news reported.** ZTE Corp. and Huawei

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Technologies are also expected to win significant contracts. More than 10 companies joined the tender. The exact size of the contract awards has not been decided. China Mobile announced the tender to help expand commercial trials for its TD-SCDMA 3G service to 38 cities on the mainland, from the current 10.

- **China Unicom Ltd., the second largest mobile telecom operator in the country, announced its net profit rose 34.84 percent from a year earlier to hit 7 billion yuan (US\$1 billion) in the first nine months.** EPS stood at 0.512 yuan (US\$0.07) during the period, and revenue expanded 3 percent to 52.5 billion yuan (US\$7.7 billion). Operating revenue amounted to 52.5 billion yuan (US\$7.7 billion) in the first three quarters, with revenue from its GSM cellular business went up 2.8 percent year-on-year to 48.5 billion yuan (US\$7.1 billion). The mobile operator's CDMA business, which was sold to China Telecom this month, has brought in net income of 1.7 billion yuan (US\$248.5 million) during the period. China Unicom's overall GSM subscribers totaled 130.7 million as of the end of September. Over the first nine months, its billed GSM users climbed by 4.7 million to 67.1 million, with prepaid users increasing 5.5 million to 63.6 million.
- **China Unicom has fixed a new executive team recently, disclosed people briefed on the matter on October 29, 2008.** The new team is made up of four previous vice presidents for China Unicom and seven previous vice presidents for China Netcom. Most of the executives will take one post at China Unicom and its parent China Unicom Corp., which has plenty of executives after the merger. In addition, of all the appointed 28 departmental chiefs at Unicom Group, 15 are from China Unicom and the rest 13 from China Netcom. 13 previous Netcom Group executives and 18 prior Unicom Group executives will take the posts at the 31 China Unicom provincial branches.

Taiwan

Semiconductor

- **Intel announced a series of moves in Taiwan to support its wireless computing products, including a new NT\$386 million (US\$11.7 million) investment.** Intel's venture capital arm will invest the NT\$386 million (US\$11.7 million) in VMAX, one of several companies building new wireless networks in Taiwan based on the standard known as WiMax, which can deliver data at high speeds over relatively large areas. Intel and the Taiwan government will also jointly establish a support center for Moblin, open source software optimized for devices using Intel's Atom processor, a lower-priced chip designed for smaller-than-conventional notebooks often used for Web surfing.
- **Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) said its consolidated profit for the third quarter to September rose 6.3 percent from the previous quarter as shipments increased.** Demand grew across all major semiconductor applications. On a year-on-year basis, third-quarter net profit of the company was up 0.7 percent. The wafer foundry announced consolidated net profit of NT\$30.6 billion (US\$927.6 million) for the third quarter against NT\$28.8 billion (US\$873.1 million) in the second quarter and NT\$30.4 billion (US\$920.7 million) a year earlier. Sales grew to NT\$93 billion (US\$2.8 billion) and NT\$89 billion (US\$2.7 billion) in the third quarter of last year. TSMC shipped 2.4 million eight-inch-equivalent wafers in the third quarter, compared with 2.3 million in the previous three months and 2.2 million a year earlier. Consolidated sales will probably shrink to NT\$69-71 billion (US\$2.1-2.2 billion) in the current quarter. Gross profit margin in the final quarter is seen around 34-36 percent, compared with 46.3 percent in the third quarter; the operating profit margin is projected at 21-23 percent versus 35.4 percent.

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- **Mediatek Inc. said its third-quarter net profit fell 6.8 percent, matching market expectations, as the technology industry suffers from a global economic slowdown.** Mediatek also forecast fourth-quarter sales would drop 9-16 percent from the third quarter's NT\$28.1 billion (US\$851.9 million). Mediatek's gross profit margin will be similar to the third quarter's 54.3 percent. A weakening global economy has cut into spending on many high-tech gadgets that use chips, and TSMC warned of a 5-9 percent drop in sales of the global semiconductor market next year. Mediatek made a net profit of NT\$7.2 billion (US\$218.3 million) in the July - September quarter, down 6.8 percent from a year ago but up 41 percent from the second quarter.

Hardware

- **Quanta Computer said its fourth quarter notebook PC shipments should grow by 10 percent from the third quarter, amid continuing strong demand for lighter, more portable laptop PCs.** The company expects its own notebook PC shipments to grow about 15 percent next year from 2008, executives told an investor conference where the company announced its third quarter results. It is on track to ship about 38 million notebook PCs this year, versus a previous target of 40 million units.
- **Acer Inc. said consolidated net profit in the third quarter to September rose 4 percent from the same period last year and sales surged 31 percent due to shipment growth.** Net profit in the third quarter increased to NT\$3 billion (US\$92.2 million) and sales jumped to NT\$159.2 billion (US\$4.8 billion). Total shipments increased 44.9 percent as notebook PC deliveries jumped 58.4 percent and desktop PC deliveries rose 9.3 percent. Operating income grew to NT\$4.7 billion (US\$142.5 million) but it booked net non-operating expenses of NT\$503 million (US\$15.2 billion) against income of 340 million a year earlier. Despite the impact of financial turmoil on the global economy, Acer sees the notebook market continuing to expand. There is still demand from corporate and individual consumers. The company expects shipments this year to surpass its target of 30 million units. Netbooks, or mini-laptops, are internet-centric. Acer launched its Aspire One netbook in June and began shipping it in July.
- **Hon Hai Precision Industry Co. saw its third-quarter net profit fall 10 percent as clients struggled in a weakening industry.** The company reported a net profit NT\$17.8 billion (US\$539.6 million) for July-September, on revenue of NT\$431.2 billion (US\$13.1 billion). Third-quarter profit fell from NT\$19.9 billion (US\$602.4 million) a year ago, but was higher than a consensus forecast of NT\$16.7 billion (US\$506.3 million) profit. Many of Hon Hai's major clients have issued cautious outlooks, with Apple saying it saw weaker holiday spending this quarter while Dell was uncertain on whether the PC market would improve heading into the year-end. Another major client, Sony Corp., posted a 90 percent fall in quarterly profit amid the global slowdown but kept its annual profit outlook of a 58 percent decline. Hon Hai also makes Nintendo's Wii game consoles. On a non-consolidated basis, Hon Hai's operating profit fell 12 percent to NT\$22.1 billion (US\$671.2 million) in the first nine months of 2008, with its operating profit margin dropping to 2.1 percent from 3.1 percent.

Mobile/ Wireless

- **HTC Corp expects revenues for the fourth quarter and the full-year of 2008 to both rise over 20 percent from the same period a year earlier.** HTC, which competes with Blackberry maker Research In Motion and Apple's iPhone, sees revenues growing by a mid-20s percent in the fourth quarter, while 2008 revenues are seen up 29 percent. HTC said its board had approved a plan to spend up to NT\$5 billion (US\$151.6 million) to buy back 10 million shares.

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Hong Kong

Telecommunications

- **PCCW Ltd. said its major shareholders, Pacific Century Regional Developments Ltd (PCRD) and China Netcom Corp., are considering a plan to jointly take the Hong Kong company private.** The company understands that discussions are taking place in relation to a proposal for consideration by the company and its shareholders. Those discussions were related to a possible privatization proposal to be made jointly by a unit of its chairman Richard Li-controlled PCRD and China Netcom Corp. PCRD holds about 22.54 percent of PCCW, while China Netcom Corp, a unit of the mainland telephone group China Network Communications Group Corp, owns 19.84 percent. HSBC is the financial adviser to PCRD. Trading in PCCW shares, which has been suspended since Oct 14, will remain suspended pending further announcement regarding the possible privatization proposal but there is no assurance that a privatization proposal will ultimately be made.

Singapore/Malaysia/Philippines/Indonesia/India/Australia

Telecommunications

- **SingTel led group dealt another blow following earlier withdrawal of Telecom New Zealand.** Terria, a consortium bidding to build a part government-funded broadband network in Australia, lost another partner. Australian Capital Territory-based Internet provider, TransACT, has withdrawn its support for the group, which is led by Singapore Telecommunications Ltd.'s Australian unit, Optus. The group still plans to bid for A\$4.7 billion (US\$3.1 billion) in federal government funding to build a high-speed Internet network reaching 98 percent of Australian homes. TransACT will submit a separate state-wide bid. The news is another blow to Terria, which is vying with Australia's biggest telecommunications company, Telstra Corp. Ltd., to build the network. Another group member, TPG-Soul, withdrew its support, while Telecom Corp. of New Zealand Ltd.'s Australian arm, AAPT Ltd., pulled out of the consortium due to financial concerns earlier this month. Terria is considering alternative funding options given turmoil in global financial markets, which is crimping firms' ability to raise capital for projects.
- **Bharti Airtel Ltd. said its fiscal second-quarter net profit rose 27 percent from a year earlier, boosted by record subscriber additions, but key operational parameters such as the average revenue per user and minutes of usage declined sequentially.** The drop in the average revenue per user reflects the increasing pressure on India's largest mobile phone operator by subscribers to add more users before new rivals, who have already received licenses, begin operations in a market that is adding over 8 million users a month. Bharti's average revenue per user has fallen quarter-on-quarter over the last two years and the trend is likely to continue as the company moves into lower income generating towns and villages, and offers lower tariffs to attract new users in India's fiercely competitive mobile phone market.
- **AsiaInfo Holdings Ltd. is benefitting from a wave of capital expenditures by Chinese telecommunications companies after a restructuring of the sector, and may put its growing cash reserves to use by buying up competitors.** AsiaInfo sells software and services to China's major telecom firms to help them with billing databases and to track customer activities. An ongoing restructuring of the sector, which merged six carriers into three, is driving increased competition between the carriers and more spending as they roll out improved networks. Zhang expects to maintain 30 percent growth in net revenue, which is revenue excluding certain hardware costs, for

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three to four years, with a gross profit margin of around 55 percent. But he adds that forecast is conservative.

- **Reliance Communications Ltd. said its net profit rose 17 percent in the fiscal second quarter from a year earlier, helped by the addition of more wireless subscribers, higher interest income and a tax refund.** However, like market leader Bharti Airtel Ltd., it recorded a sequential drop in the average revenue per user, underscoring the pressure on India's two largest wireless operators to increase the number of users in the country's crowded telecom market. The company, India's second-largest mobile phone service provider by subscribers, is expanding aggressively to new areas and by introducing services under the more widely used global system for mobile communications, or GSM, technology. It expects to maintain the margin for its wireless business on hopes of strong revenue growth from subscriber additions and by lowering costs by combining the infrastructure needed for GSM services with its existing code division multiple access technology network.

United States/Canada

Telecommunications

- **Rogers Communications Inc.'s third-quarter net soared 84 percent and revenue rose 14 percent, helped by the launch of the Apple iPhone 3G in Canada in July.** However, the successful iPhone launch also resulted in significantly higher acquisition and retention costs, leading Rogers to lower the high end of its consolidated adjusted operating profit projection range for the year. The Toronto-based communications and media giant earned C\$495 million (US\$408.2 million), up from C\$269 million (US\$222 million). On a non-GAAP basis, Rogers earned C\$465 million (US\$384 million), up from C\$268 million (US\$221 million). Revenue rose to C\$3 billion (US\$2.5 billion). Wireless revenue was up 20 percent in the latest quarter, cable revenue rose 7.0 percent and media revenue was up 14 percent.
- **Verizon Communications Inc. mostly shrugged off the effects of Apple Inc.'s iPhone, as its wireless business helped drive a 31 percent increase in third-quarter profits.** While Verizon Wireless continues to add subscribers at a relatively strong clip, and FiOS service gains more users, the company's traditional landline business still struggles. In addition, the New York telecommunications provider again saw declines in both DSL customers and total switched access lines, suggesting that pressures from the economy and cable were mounting. Verizon reported third-quarter net income of US\$1.7 billion. Excluding one-time items associated with job cuts. Year-earlier results were hurt by higher international taxes. Revenue, meanwhile, rose 4.1 percent to US\$24.75 billion from US\$23.8 billion.
- **CenturyTel Inc. agreed to buy bigger local-telephone operator Embarq Corp. for US\$5 billion in a deal that could spark further consolidation among regional carriers.** The various regional telcos have flirted with each other over the past several years as it becomes increasingly clear that they can no longer stand alone. They face a shrinking number of fixed phone lines and must spend heavily to upgrade their infrastructure to remain competitive with cable and wireless competitors. By combining operations, regional telcos can spread their costs across a larger base of customers. By having a larger presence, CenturyTel has the clout to demand better terms for costly equipment, such as its fiber-optic line network upgrade. The projects are similar to those of larger Bells such as Verizon Communications Inc. and AT&T Inc. CenturyTel Chairman and Chief Executive Glen expects to

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look for more merger opportunities in a year or so. His willingness to double up on future deals illustrates the move toward consolidation.

Mobile/ Wireless

- **Motorola Inc. swung to a third-quarter loss and put off the planned breakup of the company as a result of restructuring moves and the faltering financial markets.** Sanjay Jha was tapped in August as co-chief executive to turn around the ailing mobile devices business. But the problems at Motorola were larger than he first suspected, and he has since taken more aggressive steps to streamline the business. The company was no longer targeting a spinoff by the third quarter of 2009. The company also cut its forecast for the year. It's the latest in a string of problems for the company, which over the last few years saw its flagship Razr phone fall from celebrity staple status to the bargain bin. Revenue fell to US\$7.48 billion from US\$8.81 billion a year ago.
- **After failing to find a buyer for its Nextel cellphone unit, Sprint Nextel Corp. will hold on to the asset and renew a long-term partnership with Motorola Inc. to provide network support and mobile devices for Nextel.** Sprint began searching for potential buyers for Nextel, which has struggled since the two companies merged in 2005, losing millions of customers in the face of stiff competition from AT&T Inc. and Verizon Wireless, a joint venture of Vodafone Group PLC and Verizon Communications Inc. In the second quarter, Sprint lost 901,000 customers, largely because of Nextel defections, and ended with a total of 51.9 million subscribers. Sprint attracted interest from several parties during the process, including private-equity firm Cerberus Capital Management LP and Latin American cellular provider NII Holdings Inc., people familiar with the situation say. But the credit markets made it difficult for any player to raise the cash for a deal at the valuation Sprint would have liked something north of the US\$5.4 billion in debt Nextel carries.
- **Motorola Inc posted a quarterly net loss as revenue fell a steeper-than-expected 15 percent, and delayed its plan to spin off its cell phone unit as it struggled to regain its footing in the market.** And while some analysts were encouraged by Motorola's cost cutting and long-term strategy, the near term prognosis is grim. Motorola is doing a major reboot as it attempts to improve its competitive positioning, suggesting longer term the company may re-emerge as a stronger entity. Near term, the situation in mobile devices may deteriorate further as Motorola is sorely lacking a compelling product portfolio in entry level and smartphone. The company warned its fourth quarter earnings would miss analyst expectations, though its cost-cutting plans would result in US\$800 million of annual savings. It was no longer targeting the third quarter of 2009 for spinning off its mobile devices division, citing the macro-economic environment, stresses in the financial markets and changes underway in the unit itself. The spin off would instead take place sometime after 2009.

Hardware

- **Wal-Mart Inc. will start selling the G1 phone at a discounted price.** Wal-Mart will carry the Google Inc. G1 phone, sold through Deutsche Telekom AG's T-Mobile USA, in 550 Wal-Mart stores at the reduced price of US\$149 for new customers, or existing customers eligible for an upgrade, who sign up for a two-year agreement. Consumers interested in purchasing the T-Mobile G1 can save US\$31.1 at Wal-Mart as opposed to buying through T-Mobile, which sells the device for US\$180. The T-Mobile G1, released for pre-order last month, is the first phone that's compatible with Android, Google's new operating system.

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Internet

- **The prospects for a Web-advertising partnership between Google Inc. and Yahoo Inc. have dimmed, with both sides considering walking away from the deal as early as next week.** The two companies met with the Justice Department, part of a series of meetings to address the concerns of regulators. While the parties may agree to continue the talks or they could reach a resolution there are signs they are unwilling to make compromises to address the Justice Department's objections. Discussions with the Justice Department are ongoing. The partnership would allow Yahoo to display search ads sold by Google and take a cut of the revenue. The alliance instantly drew criticism that it would give Google too much clout in online ads. The option to scrap the deal has been on the table before, but Google in particular has begun considering it more seriously as Justice Department talks haven't progressed. One sticking point has been the department's discussion of having the companies sign a consent decree stating the terms of the partnership. That would subject their compliance to continuing oversight by a judge.

Semiconductors

- **KLA-Tencor Corp. reported that profit dropped to the lowest since 2000, missing analysts' estimates, as chipmakers put off capacity expansions.** Net income fell to US\$19.3 million from US\$88.2 million a year earlier. Sales lost 23 percent to US\$532.5 million in the first quarter ended Sept. 30. Excluding some costs, profit was 32 cents, missing the 34-cent average analyst estimate. After more that a year of declining orders from memory chipmakers, who built too many factories and caused an industry glut, equipment bookings are sliding further as other semiconductor makers curb spending plans. Bank of America analyst Krish Shankar estimates equipment budgets of the top 22 spenders will shrink 30 percent this year. Wallace predicted in July that orders would fall as much as 15 percent in the quarter. Analysts had projected the company would report a profit of 34 cents on US\$519 million of sales.

Software

- **McAfee Inc. reported profit and revenue that beat analysts' estimates as orders increased for programs that protect information, sending the shares higher.** Third-quarter net income was US\$48.8 million. Excluding some items, earnings were 53 cents a share. McAfee's forecast for the current quarter met analysts' estimates. About 80 percent of the company's sales come from long-term contracts, helping Chief Executive Officer Dave DeWalt counter a slowdown in technology spending. McAfee contrasted with Symantec Corp., which issued a forecast that disappointed investors, sending the shares down 18 percent. Sales rose 27 percent to US\$409.7 million, topping analysts' estimates for US\$395.6 million. A year ago, McAfee reported profit of US\$63.4 million, or 39 cents a share.

Media, Entertainment and Gaming

- **Cox Communications Inc. plans to add cellular services to its current bundle of offerings in a move for the cable-television provider to better compete with phone companies.** Cox will use Sprint Nextel Corp.'s network when it enters the market next year while building its own 3G wireless network for additional market launches later in the year. Cox will test 4G technology. Cox, unlike bigger cable companies Comcast Corp. and Time Warner Cable Inc., isn't going to be part of Sprint's Clearwire WiMax joint venture. WiMax provides both wireless Internet access to home users and allows laptop users with special modems to stay connected around town at speeds comparable with wired broadband services. Cox has invested more than US\$500 million to buy wireless spectrum in Federal Communications Commission auctions. The company first entered the telephone-service

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market in 1997, making it the first company to deliver digital voice, high-speed internet and telephone services via a single network.

- **Electronic Arts Inc. lowered its forecast for the fiscal year and would cut jobs in response to a deteriorating economy.** The company will eliminate 6 percent of its jobs to save US\$50 million a year. Profit excluding some costs will be US\$1.00 to US\$1.40 a share for the year ending in March, below the US\$1.30 to US\$1.70. The company kept its fiscal-year sales forecast at US\$4.9 billion to US\$5.15 billion. The company reported its second-quarter net loss widened to US\$310 million from US\$195 million a year earlier. Sales rose 40 percent to US\$894 million, lifted by “Rock Band” and the “Madden” football titles.
- **CBS Corp. will make more cost cuts throughout the company as the financial crisis spurs advertisers to pull back on spending.** CBS reported a US\$12.5 billion third-quarter loss after writing down the value of its radio and television stations. The company announced the US\$14.1 billion charge on Oct. 10 and forecast that operating income this year would decline by a percentage in the mid-teens. Ad sales are falling at CBS's radio and TV stations as the U.S. economy shrinks. At the TV unit, which accounts for almost two-thirds of revenue, advertising dropped 14 percent. NBC's broadcast of the Beijing Olympics took viewers during the period and coverage of the presidential conventions limited ad opportunities, along with the overall slump in the market.
- **Liberty Media Corp. said third-quarter profit dropped at its QVC home-shopping unit as the credit crunch slowed consumer spending and more customers missed payments on QVC-issued credit cards.** QVC's business overseas began to slow last year, and sales deteriorated in the U.S. in August and September. Profit was also hurt by inventory gluts and a rise in bad debt, since 27 percent of QVC's sales are paid for with company-issued credit cards. Sales at QVC fell 2.7 percent to US\$1.64 billion in the third quarter. The unit's operating income before depreciation and amortization declined 14 percent to US\$312 million. QVC drew down its remaining bank credit facilities to buy back US\$782 million worth of Liberty Media bonds due next year. The move will reduce the amount of debt Liberty must pay or refinance in 2009 to US\$140 million.

Europe

Semiconductor

- **Intel Corp. said the global financial crisis could hurt its business.** Intel posted third-quarter profit that beat some analysts' estimates and sales may rise in this period on demand for laptops, alleviating concern that the crisis hitting the world's banking system will halt demand for personal computers. While corporate PC sales have slowed, revenue from laptop processors, which sell for more than desktop chips, jumped 20 percent last quarter. Intel prepaid US\$1 billion under a forward purchase agreement to Lehman Brothers OTC Derivatives Inc. to purchase its common shares. As Lehman failed to deliver, Intel foreclosed on US\$1 billion in cash received as collateral.

Technology

- **TomTom NV reported a sharp fall in third-quarter net profit on plummeting prices for its navigation devices and higher operational and interest costs and won't reach its 2008 sales target, but its shares rose as concerns about its credit lines eased.** TomTom shares have lost 90 percent of their value in the last year and 50 percent of their value in the last month, hurt by speculation it may breach its debt covenants. TomTom renegotiated the conditions and covenants of its loan facility for an amendment fee of 8 million euros (US\$10.2 million), and has agreed to pay

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higher interest rates. TomTom wasn't in breach of its covenants during the third quarter, and is comfortable with the revised terms based on how management sees the business going forward.

Telecommunications

- **TeliaSonera saw lower income from subsidiaries, higher non-recurring expenses.** Third-quarter net profit fell 12 percent mainly due to lower income from associated companies and higher non-recurring expenses, but maintained its full-year outlook. The company expects its Spanish start-up Yoigo to post a loss in full-year earnings before interest, taxes, depreciation and amortization, or Ebitda, of more than 1 billion kronor (US\$129 million), and it is considering its options for the unit's future. Net profit fell to 4.77 billion kronor (US\$601.5 million). Sales in the quarter rose 4.1 percent to 25.82 billion kronor (US\$3.3 billion) from 24.8 billion kronor (US\$3.2 billion). TeliaSonera still expects 2008 full-year net profit to be somewhat higher than in 2007, excluding positive one-off items of 2 billion kronor (US\$258 million) in 2007 related to old tax losses in Finland, a capital gain from an associated company, and a reversal of provisions for interconnect fees in Sweden. The results were strong, particularly in the company's Eurasian operations. The company may look to offload Yoigo, as its performance has weighed on earnings.
- **Qatar Telecom will buy an additional 24.2 percent stake in PT Indonesia Satellite Corp. for around 8.43 trillion rupiahs (US\$711 million).** The price is lower than the 7388 rupiahs (US\$.7 million) per share the Qatari company paid in June when it bought a 40.8 percent stake in Indonesia's second-largest mobile operator by customer base from Asia Mobile Holdings, QTel's joint venture with a Temasek Holdings unit. The offer price is set based on the highest average price of Indosat shares within the previous 90 trading days. QTel is still seeking further confirmation from Indonesian regulator Bapepam for the share price offer. QTel can own up to 65 percent of Indosat. The government also asked Indosat spin off its fixed-line business in two years. The Qatari company could buy an additional 24.2 percent stake it doesn't own from the public via the tender offer.
- **Shareholders in Telefonica CTC Chile SA voted in favor of Spanish company Telefonica SA's tender offer.** Over 85 percent of CTC shareholders voted in favor of a change in company by-laws that gives the green light to Telefonica's offer for the 55.1 percent of outstanding shares it doesn't already control. The favorable vote came after Telefonica sweetened its offer, allowing it to obtain the support of Chilean private pension fund managers, or AFPs, which currently hold 20.8 percent of the telecom. Telefonica would raise its bid for CTC's A-series shares to 1,100.00 Chilean pesos (US\$1.60) from a previous 1,000 Chilean pesos (US\$1.50) bid and would increase the offer for the company's B-series shares to 990 Chilean pesos (US\$1.40).
- **Russia's Altimo and Norway's Telenor, who between them own three-quarters of Russia's biggest mobile operator OAO VimpelCom, rejected a Russian court ruling that froze these stakes.** VimpelCom's New-York listed stock rose 19 percent after the Siberian court ruling, which effectively blocked a margin call against Altimo's shares from a group of Western banks. Altimo owns 44 percent of VimpelCom's shares, while Telenor owns just under 30 percent. The two companies have been in litigation for several years, sparked by a disagreement over VimpelCom's expansion into Ukraine. The lawsuit in the Omsk court was part of this battle. Telenor has alleged that Farimex is acting on behalf of Altimo, a charge the latter denies. An affiliate of Altimo failed to put up additional collateral.
- **OAO Vimpel Communications has agreed to pay US\$226 million for a 49.9 percent stake in Euroset.** Euroset, which sells mobile handsets and subscriptions at 5100 shops across the former Soviet Union, had been courted by VimpelCom's larger rival OAO Mobile TeleSystems, and is the

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first major Russian telecoms retailer to be part-owned by one of its suppliers. VimpelCom's monthly share of Russia's new mobile subscribers fell, as it lost out to larger rival OAO Mobile TeleSystems. Some analysts attributed MTS' subscriber growth to a deal that it did with Euroset, offering the retailer bigger commissions to sign up new users. Russia's antitrust service, which approved the deal last week, ruled that Euroset must charge VimpelCom similar rates as other networks for new subscribers, but the operators' biggest rivals in the mobile sector MTS and privately-held OAO Megafon.

- **France Telecom SA got the third-quarter earnings season for major European telcos off to a good start when it reported that revenue grew slightly, beating market expectations, and retained its 2008 guidance despite the deteriorating economic situation.** France's incumbent operator expects over 7.8 billion euros (US\$9.9 billion) in free cash flow and a stable margin on EBITDA. Revenue for the quarter ended Sept. 30 rose to 13.55 billion euros (US\$17.2 billion). EBITDA in the third-quarter was flat at 5.09 billion euros (US\$6.5 billion), beating analysts' expectations for 5.02 billion euros (US\$6.4 billion). Third quarter revenue was supported by a solid performance in all markets except Spain and some African countries, where there was some negative impact from the financial crisis.

Media, Gaming and Entertainment

- **The likelihood that Cable & Wireless PLC will unveil the de-merger of its international and U.K. divisions at its first half results Nov. 10 has diminished amid the recent market turmoil.** Management at the international telecommunications firm has been charged with realizing maximum value out of its two distinct divisions, and expectations of an impending de-merger were fueled in September when it insured some of the risk in its bulky pension, seen as a key catalyst for a split. At its share price peak last month Cable & Wireless had a market capitalization of over 4.3 billion pounds (US\$7 billion), but it has lost almost a quarter of its value in the past month and is valued at around 3 billion pounds (US\$5 billion). Collins Stewart analyst Mark James has valued the International business at around 2.5 billion pounds (US\$4 billion), while the group's Europe, Asia and U.S., or EAUS, unit is valued at around 2.9 billion pounds (US\$5 billion), both excluding debt. A de-merger is unlikely to realize that sort of valuation in the current market.

Middle East/South Africa/South America

Telecommunications

- **South African operator MTN won the backing of the country's Competition Commission for its estimated 1.4 billion rand (US\$143.1 million) bid for Verizon Business SA.** The deal will be scrutinized by the Competition Tribunal before it can go ahead. MTN stands to become South Africa's third-largest corporate Internet service provider with a market share of between 10 percent and 12 percent, if its acquisition of Verizon SA is approved. It currently provides IP-based network services to large corporate customers and governments in a number of countries in Africa including South Africa, Kenya, Namibia, Zambia and Botswana. However, there has been opposition to the deal expressed by a number of rival corporate ISPs, including Internet Solutions, which has already lodged a formal objection with the South African authorities, and submitted evidence that a tie-up between MTN and Verizon SA will harm competition.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 10/31/08)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
Japanese yen	¥/US\$	98.4400	4.4%	-7.2%	-12.5%	-17.3%
Hong Kong dollar	HK\$/ US\$	7.7499	-0.04%	-0.2%	-0.7%	-0.4%
Chinese renmenbi	RMB/ US\$	6.8390	-0.1%	-0.1%	-6.4%	-12.4%
Singapore dollar	S\$/ US\$	1.4820	-1.7%	3.4%	2.5%	-3.6%
South Korean won	KRW/ US\$	1,274.5000	-10.5%	5.7%	36.2%	37.0%
New Taiwan dollar	NT\$/ US\$	32.9700	-1.2%	2.1%	1.5%	1.2%
Australian dollar	US\$/A\$	0.6676	7.1%	-15.9%	-23.7%	-15.3%
New Zealand dollar	US\$/NZ\$	0.5820	4.5%	-13.2%	-24.8%	-17.3%
Philippine peso	PHP/ US\$	48.7500	0.2%	3.2%	18.3%	-0.5%
Euro	US\$/€	1.2730	0.9%	-9.7%	-13.5%	-3.6%
British pound	US\$/£	1.6068	0.9%	-9.9%	-19.4%	-18.0%

Fixed Income Prices and Yields							
Note	Currency	Current (on 10/31/08)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	102.77	4.33%	107.65	4.05%	107.08	4.09%
Japan 30-year	¥	103.17	2.22%	102.72	2.25%	103.75	2.29%
Hong Kong 10-year	HK\$	109.88	2.42%	109.68	2.45%	105.9	2.88%
China (06/16)	US\$	108.60	3.40%	108.60	3.40%	108.77	3.39%
Singapore 10-year	S\$	108.90	2.95%	109.90	2.84%	107.4	3.13%
South Korea 20-year	KRW	9,470.89	5.98%	9,470.89	5.98%	9,470.89	5.98%
Australia 15-year	A\$	103.90	5.32%	106.28	5.07%	103.94	5.32%
New Zealand (12/17)	NZ\$	98.98	6.15%	99.48	6.07%	100.22	5.97%
Philippines 20-year	PHP	68.69	13.14%	69.21	13.03%	97.31	8.91%
India 30-year	INR	102.95	8.06%	100.18	8.31%	92.1	9.11%
UK 30-year	£	103.98	4.51%	106.91	4.34%	106.7	4.35%
Germany 30-year	€	98.44	4.34%	100.29	4.23%	96.36	4.47%

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