



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

Week of 3 November - 9 November, 2008

ideas | reach | growth

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

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Equity Market Indicators					
Index	Closing Level (11/7/2008)	Percent Change 1 Week Ago	Percent Change Month to Date	Percent Change 1/1/2008	Percent Change 1/1/2007
S&P 500	930.99	-3.9%	-3.9 percent	-36.6 percent	-34.4 percent
Dow Jones Industrial Avg.	8,943.81	-4.1%	-4.1%	-32.6%	-28.2%
Dow Jones Tech. Index	261.80	-4.7%	-4.7%	-43.0%	-36.6%
Dow Jones Telecom. Index	185.58	0.4%	0.4%	-40.8%	-28.6%
NASDAQ Composite	1,647.40	-4.3%	-4.3%	-37.9%	-31.8%
The Street.com Net	180.63	-4.2%	-4.2%	-35.9%	-27.0%
Japan Nikkei 225	8,583.00	0.1%	0.1%	-43.9%	-50.2%
JASDAQ	46.41	5.7%	5.7%	-35.7%	-46.2%
Japan Mothers	328.64	9.8%	9.8%	-58.0%	-70.4%
Korea KOSPI Composite	1,134.49	1.9%	1.9%	-40.2%	-20.9%
Korea Kosdaq	325.54	5.7%	5.7%	-53.8%	-46.3%
Taiwan Stock Exchange	4,742.33	-2.6%	-2.6%	-44.2%	-39.4%
Singapore Straight Times	1,863.49	3.9%	3.9%	-46.2%	-37.6%
Hong Kong Hang Seng	14,243.43	2.0%	2.0%	-48.8%	-28.7%
Hong Kong GEM	381.77	4.7%	4.7%	-71.7%	-68.8%
China Shanghai (A-Share)	1,836.04	1.1%	1.1%	-66.7%	-34.8%
China Shenzhen (A-Share)	491.10	-0.8%	-0.8%	-67.7%	-13.8%
China Shanghai (B-Share)	91.77	3.7%	3.7%	-74.9%	-29.5%
China Shenzhen (B-Share)	231.07	3.6%	3.6%	-67.4%	-46.7%

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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

Japan

Telecommunications

- **NTT said its revenues for the first half of its current fiscal year ending March 2009 slipped to 5.2 trillion yen (US\$53.1 billion) from 5.2 trillion yen (US\$53 billion).** Revenues from its fixed-line telephone services continued to shrink and revenues at its mobile unit NTT DoCoMo dropped slightly as a result of reduced call charges. Its operating profit in the April-September period however, increased by 32.1% year-on-year to 745.1 billion yen (US\$7.6 billion), boosted by a 41.2% jump in DoCoMo's operating profit. Net profit for the half year improved to 406.3 billion yen (US\$4.1 billion) from 192.9 billion yen (US\$2 billion) a year earlier. The group also would lift its planned capital expenditure for the current fiscal year by 1.4% to 2.2 trillion yen (US\$22 billion), allotting extra funds for unit NTT Urban Development Corp to snap up valuable properties amid a slump in real-estate prices.

Hardware

- **Domestic shipments of personal computers grew 7.8% to an all-time high of 6.38 million units in the April-September period as consumers flocked to small, low-cost notebooks.** But excluding mini notebooks, which are priced in the 50,000 yen (US\$509) range, the rise in shipments came to 1.4%. Overall, shipments slid 4.1% to 680 billion yen (US\$7 billion) in value terms, reflecting price declines. Consumer-use computers jumped 15.6% to 2.93 million units, while PCs for corporate users rose just 2% to 3.44 million. Although expectations had been high that businesses would replace their machines with new ones in fiscal 2008, many started curbing capital spending in the July-September quarter. In market share, the top seven manufacturers stayed in the same spots. Emerging in eighth place and ninth place were Acer Inc. and AsusTek Computer Inc., which offer small notebooks and made the top 10 for the first time.

Semiconductors

- **Elpida Memory Inc. reported a sharp first-half fall into the red on the prolonged slump in chip prices, and it cut its capital spending forecast for the year to March.** Elpida tumbled to an operating loss of 40.1 billion yen (US\$410 million) in the six months ended Sept. 30, from an operating profit of 9.9 billion yen (US\$100.8 million) the previous year. Elpida, which does not give full-year earnings forecasts, expects its capital spending to total between 90 and 95 billion yen in the year to March, down from an August forecast of 100 billion. The company, created out of the former DRAM arms of Hitachi Ltd., NEC Corp. and Mitsubishi Electric Corp., is expected to post an operating loss of 55.9 billion yen (US\$567 million) this business year.

Korea

Telecommunications

- **KT Co.'s President has been arrested on charges of bribery after allegedly taking kickbacks from subcontractors.** A local court issued an arrest warrant for Nam Joong-soo, citing the possibility that he may destroy evidence and flee. Prosecutors allege that Nam took 300 million won (US\$236,568) in kickbacks from subcontractors while heading KTF Co., a KT affiliate and the country's second-largest mobile carrier, from 2003-2005. The probe began when allegations surfaced

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that Nam's successor at KTF, Cho Young-joo, routinely pocketed kickbacks from subcontractors using bank accounts under borrowed names.

- **Korea Telecom has licensed SPIRIT's carrier-grade TeamSpirit 3.0 Voice&Video Engine PC to provide high quality voice and video in their next generation value-adding IP-based services.** IDC Korea valued the local VoIP market at about US\$251 million last year with the expected annual growth over 50% for the next five years reaching US\$1.5 billion by 2011. Targeting the quickly growing Korean VoIP market and striving to achieve customer satisfaction with innovative services, KT is evolving their network infrastructure into an all-IP environment and launches their own IP-based services - SoIP (Services Over Internet Protocol). SoIP is to become a high-end lifestyle system that integrates VoIP and multimedia allowing customers to enjoy a variety of customizable interactive services.

Hardware

- **Samsung has become the leading mobile handset vendor in the U.S., taking over from the one-time heavily dominant homegrown player Motorola.** The company passed Motorola in the third quarter to become the leading cellphone handset vendor in the U.S. Handset shipments in the U.S., the largest cellphone market in the world, defied the economic gloom and grew 6.2% from a year before to 47.4 million phones in the quarter. Attractive bundling schemes from operators, healthy subsidies and aggressive pre-stocking by distributors ahead of the holiday season helped to lift volumes. South Korean vendors Samsung and LG Electronics Inc. both won more of the market, controlling 22.4% and 20.5% respectively. According to analysts, Samsung's growing retail presence and an attractive high-tier handset portfolio for all of the big four operators have proved crucial in grabbing the top spot. The company claimed a market share of 22.4% in the third quarter of this year, compared with Motorola's 21.1%. Analysts believe that Motorola's Moto, which has seen little success in any global market since the RAZR took the world by storm in 2004, will not find it easy to claw back its position. Analysts believe that Motorola can certainly regain first position, because it has a huge retail presence at all the major carriers, but given its near-term handset roadmap, it will be hard pressed to pull out a big lead for the foreseeable future.
- **The board of Samsung Techwin Co., a South Korean maker of digital cameras and precision electronics parts, decided to spin off its camera division to enhance the competitiveness of each business.** Shareholders will hold a meeting on December 19, 2008 to deliberate the proposed spinoff. The envisioned company is tentatively named Samsung Digital Imaging.
- **LG Electronics completed its 5 year plan to support partners in 6 designated categories. Next year, it will begin a new program in which suppliers can suggest via the company's portal.** Samsung Electronics will also support the technology development of suppliers in the assumption of the purchase of the developed technology. Samsung Electronics and LG Electronics both announced their own win-win purchase strategies. LG Electronics will announce its new support policy for suppliers as its existing plan which has begun in 2004 is completed in this year. It will connect its former employees to suppliers and allow suppliers to suggest new ideas via portals.

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China

Hardware

- **Ningbo Bird Co., Ltd. incurred net losses of 25.4 million yuan (US\$4 million) in the third quarter of 2008, narrowing 90.7% from Q3 2007.** From January to September 2008, the company suffered net losses of 47.5 million yuan (US\$7 million) in total. Return on equity reached -6.7%. Sales and financial expenditures respectively reduced 62.2% and 30.1% from a year ago. Operating revenues from main business dropped 51.6% year on year mainly due to decrease in sales revenues caused by furious competition in the domestic market, explained Ningbo Bird. Export revenues fell because of the sale in stakes in its joint venture Ningbo Bird Sagem Electronics Co., Ltd.
- **The Lenovo Group Limited is expected to become the sole shareholder of Fujitsu Siemens Computers (Holding) BV in the long run.** Fujitsu Siemens Computers was established in 1999, with a 50-50 capital from Fujitsu Ltd. and Siemens AG, which signed a cooperative agreement about their joint investment with a term of ten years. With a market value of about EUR 1 billion, the joint venture has become the biggest computer manufacturer in Europe by far. However, the two parent companies are expected not to continue their agreement after the maturity, as Siemens wants to pay more attention to the sectors like energy and medical treatment. After several rounds of negotiation, Fujitsu is to acquire Siemens's 50% stake in the Fujitsu Siemens Computers for 350 million euros (US\$448 million) to 40 million euros (US\$51.2 million). After the acquisition, Fujitsu would sell the joint venture as a whole to Lenovo.

Internet

- **Tsinghua Tongfang Co., Ltd is trying to deepen its footprint in the Chinese digital TV market.** The company announced that it plans to spend US\$19.5 million buying a 25% stake in Sino-Korean home shopping joint venture Shanghai Oriental CJ (OCJ). The deal will enable Tsinghua Tongfang to build up a complete industrial chain covering equipment, network services, content resources and value-added services in the digital TV field. The transaction will be conducted by an e-commerce unit of Tsinghua Tongfang. The unit will buy the OCJ stake after getting an additional 167.3 million yuan (US\$24.5 million) investment from its parent. OCJ was founded by Shanghai Media Group and CJ Home Shopping in January 2004 with a registered capital of US\$10 million. The venture provides services like TV shopping, online shopping and catalog shopping to customers in Shanghai and the Yangtze River delta. OCJ saw net profits and revenue amount to 25.2 million yuan (US\$4 million) and 566 million yuan (US\$83 million) in the first half of 2008, while it gained net profits of 22.02 million yuan (US\$3.2 million) and revenue of 797 million (US\$117 million) in 2007.
- **MediaG3, Inc., a developer for broadband wireless product and interactive rich-media content delivery applications, announced that it has launched China Green Pages, a web 2.0+ site similar to a combination of My Space with ecommerce.** With revenue projection of reaching over US\$5 million in the next few years, China Green Pages is an extensive network of branded communities for information exchange, social networking, commerce and targeted marketing to business and consumers in the vast China market space and beyond. China Green Pages aims to establish cultured green commerce networks and to build trusted relationships between market and customers, between product and users, between merchants and consumers. There are three revenue channels from registration fees, advertising and revenue sharing merchants. China Green Pages is operating under Oriental Media, a wholly owned subsidiary of MediaG3 in Shanghai, China. Among the attendees of the launching ceremony were government officials, business executives from

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domestic and international corporations and senior level representatives from American Consulate General.

Telecommunications

- **China's telecom industry saw rising business volume and profit in the first three quarters of this year as telephone and Internet users increased steadily.** The fundamentals of China's telecom industry was sound with profit jumping 10.3% year on year in the first nine months. The nation's telephone users climbed to 977 million by the end of September, the world's largest. Subscribers jumped by 64.25 million in the January-September period. Up to 12.93 million broadband Internet users were added during the same period, pushing up the total to 79.35 million, the most in the world. Internet service has expanded to every township excluding those in Tibet, Gansu and Qinghai.
- **China Telecom has fully prepared for the project of updating the current CDMA network with the U.S. 3G standard CDMA2000 and would take the lead to put the updated network into trial operation at the yearend 2008.** Although the issue of 3G license is still on the air, such China's leading telecom operators as China Mobile, China Unicom and China Telecom have showcased their trial 3G technologies at a recent exhibition. An insider of China Telecom disclosed that the company would not put the CDMA2000 network into trial commercial operation as China Mobile does for its TD-SCDMA network, and instead China Telecom would try the network insider the company. Besides, the majority of current terminals in the hand of C-network users have been equipped with the functions of CDMA 2000, so C-network users needn't buy another terminal after the update. 3G license would be issued in the next three months. China Unicom and China Telecom are under heavy pressure as most of the new mobile users choose China Mobile's services and 3G communication is the only trump card for them to compete with China Mobile.
- **Huawei Technologies is about to help local telecom carriers in Meddle East build up the first commercial LTE/SAE network in June 2009.** Latest statistics from ABI show that over 300,000 LTE (System Architecture Evolution) base stations will be built up before 2014 the world over, involving total investment of US\$18 billion. ABI expects that the number of LTE users will hit 400 million to 450 million by 2015, representing a huge market of 150 billion euros (US\$192 billion). Huawei Technologies is one of the initiators of LTE and one of the members of NGMN (next generation mobile network). The Chinese telecom carrier carried out the multi-user mobile testing of LTE. At the moment, Huawei is deploying LTE trial networks around the world by joining hands with telecom operators in Europe, North America, Japan, and so on.
- **China's CDMA will take the lead in the network quality in major Chinese cities by the end of this year.** China Telecom, after shelling out 110 billion yuan (US\$16 billion) for buying CDMA networks from China Unicom, will invest 80 billion yuan in upgrading, rebuilding and optimizing CDMA networks in three years. The first phase expansion construction is well underway. After the equipment is installed, efforts will focus on the second optimization phase such as to expand coverage, reduce the rate of dropped calls, increase the data throughput, and improve the indicators of the network. The target users of CDMA networks will focus on government users, enterprise users, home users and individual users. A number of new mobile services will be launched. These services not only cover different needs of the target user groups, but also include many differentiated products.
- **China Unicom said in its latest financial report that its revenues in the first nine months grew a meager 3% to 52.5 billion yuan (US\$7.6 billion).** It saw a 13% drop in its third-quarter earnings on lower mobile usage and subscriber growth during the Beijing Olympics. China Unicom is in a good position to benefit from the evolution of the mobile telecoms industry in this country, which has seen

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the company jettison its fading CDMA business and merge with China Netcom, as Beijing's policies are seen favoring the smaller player over heavyweight China Mobile. But the massive capital expenditure lined up for the firm's foray into the third generation (3G) services is likely to erode short-term profitability and cast an overhang on the stock. The mobile operator, which completed its merger with fixed-line service provider Netcom in this October, reported net profit of 2.57 billion yuan (US\$377 million) for the three months ended September, down from 2.98 billion yuan (US\$437 million) a year earlier.

Media, Gaming and Entertainment

- **NetDragon Websoft Inc. is estimated to have a profit decline in the first three quarters of 2008. The decline was caused by several reasons.** The company reached a total operating revenue of 147 million yuan (US\$22 million) in the second quarter, slashing nearly 30 million yuan (US\$4.4 million). The games, operated by the company, had a revenue decline compared with the first quarter. For instance, Conquer Online had a revenue decline of 7.1%; Eudemons Online 13.2%; Zero Online 23%; and Tou Ming Zhuang Online 66.2%.
- **Suzhou Snail Electronic Co., Ltd. (Snail Game), a 3D online game developer based in Suzhou, got an operating license for a browser game in China from Astrum Online Entertainment Holding Company (AOE).** And the game was named Legend: Legacy Of The Dragons. The two companies will have an exchanged operation form. Snail Game is to have a dealership of Legend: Legacy Of The Dragons in China, and AOE is to a dealership of 5 Street in Russia. Established in October 2000, Snail Game is a developer of 3D online games. It has rich online game developing experience, and its own 3D online game engine. Their products are Voyage Century, Age of Armor, 5 Street, Super Richman in Kong-fu Land, Age of Armor II, and The Chosen. AOE, a player in the online entertainment market in Russia, launched the first joint game project in partnership with Rambler Media Group, a diversified Russian language internet media and services group.

Taiwan

Mobile/ Wireless

- **After posting an 18.9% share of the Taiwan market for mobile phones in September, Samsung is aggressively to push up the figure to 20% by the end of this year.** To achieve a full product category covering low, medium and high ends of the line, Samsung Taiwan recently unveiled its newest slide smartphone L878 series, which features slim, metallic exterior design and lightweight, and adopts Symbian S60 operating system. The brand's metallic series mobile phones have gained popularity in Taiwan this year. Annual sales of mobile phones in Taiwan are estimated at about 7 million units this year, down 5% from the corresponding figure for last year, due mainly to global economic recession weakening consumer spending in the market. The sales recession is expected to last into the second half of next year. Taiwan Samsung indicated that sales in the segment for high-end handsets seem impervious to the recent economic depression, with models built with finger-touch panels as the hottest sellers in Taiwan. However, medium-end handset sales in the market have been apparently waning.

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Semiconductors

- **Morris Chang, chairman of Taiwan Semiconductor Manufacturing Co. (TSMC), recently suggested the chip industry across the Taiwan Strait develop on the division of labor model of “design in mainland China and manufacturing in Taiwan.”** The idea is completely counter-intuitive to the entrenched notion in Taiwanese that the two sides should develop on the model of Taiwan doing design whereas the mainland handling manufacturing. The mainland is now the world's biggest market for semiconductor chips with a huge consumption of over US\$35 billion worth of the devices every year, making it an ideal place for developing the design industry. He suggested that although there are hundreds of chip design houses in the mainland, the mainland authorities should assist a few of them in making their operations reach economy of scale as soon as possible.
- **TSMC announced that its net profit for the third quarter this year went up slightly by 0.7% to NT\$30.6 billion (US\$933 million), compared with NT\$30.37 billion (US\$926 million) a year earlier, hit by a slowing global economy that is curbing spending on technology products.** However, the Q3 net profit represents a 6% increase over the previous quarter. The company's revenue during the July to September period rose 4.5%. Earnings per share stood at NT\$1.18 (US\$.04). Given weakening sales of new computers, mobile phones and flat-screen televisions that require chips, TSMC has expected to see sales and wafer shipments decline in the fourth quarter. Operating revenue for the next quarter is expected to be NT\$69-71 billion (US\$2.1-2.2 billion), with gross profit margin to stand at 34-36%.
- **Nanya Technology Corp. said parent sales in October fell 11.87% from a year earlier to NT\$3.2 billion (97.5 billion).** Parent sales in the first 10 months of the year posted a 27.66% year-on-year decline to NT\$33.4 billion (US\$1 billion).
- **Powerchip Semiconductor Corp. is in talks about a funds injection from Elpida Memory, either directly or through their joint venture Rexchip Electronics Corp.** Elpida may buy the company's bonds, or use other measures, to inject funds into the company. Elpida might also raise its stake in Rexchip to 50-60% from around 48% by buying some of Powerchip's shares in the venture. Another option is a direct injection of funds by Elpida into Rexchip. Tang did not say why Powerchip needs the funds. Elpida would acquire around 8% of Powerchip and buy a further 5% of Rexchip from Powerchip.

Hong Kong

Telecommunications

- **PCCW chairman Richard Li and the China Netcom Group have reached an agreement for the privatization of the company.** Shares not already held by Li and Netcom, equal to 57.62% of PCCW, will be bought for less than HK\$5.00 (US\$0.06) a share or a total of HK\$19.5 billion (US\$2.5 billion). Proceeds from the sale would be used to fund overseas operations to offset slowing business at home. PCCW closed at HK\$2.75 (US\$0.40) prior to a trading suspension on October 14, 2008
- **China Unicom (Hong Kong) Ltd. is studying plans to integrate its fixed-line business with similar assets held by shareholders.** The proposal is part of Unicom's plan to set up a unified national network' of fixed-line and wireless businesses. Discussions are at a preliminary stage and may not result in a transaction. Unicom bought China Netcom Group Corp. as part of a government plan to let carriers offer wireless and traditional phone services. The company may need to gain landline assets in southern provinces to broaden coverage. Unicom purchased China Netcom in a stock-only

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transaction, paying 1.508 new shares for each of the company's, valuing the acquisition at HK\$123.9 billion (US\$16 billion). The deal gave China Network Communications Group Corp., previously China Netcom's controlling shareholder, a 30.4% stake in Unicom.

Mobile/ Wireless

- **Artificial Life, Inc. has been ranked as a winner of the Deloitte Technology Fast 50 China 2008 program.** Artificial Life is ranked the 8th fastest growing company over all and the third fastest growing U.S. publicly listed company in the Deloitte program. The Deloitte Technology Fast 50 is considered a benchmark for fast-growing technology companies across the globe. Participants for the Deloitte Technology Fast 50 China program must have been in business for a minimum of three years; must be headquartered in Mainland China or Hong Kong; and must be developing proprietary technology which contributes to a significant portion of the company's operating revenues, manufacturing a technology-related product, or devoting a high%age of revenue to the research and development of technology. Winners in the Deloitte Technology Fast 50 China program will automatically qualify to participate in the Deloitte Technology Fast 500 Asia Pacific 2008 program, which annually recognizes the 500 fastest growing technology companies in the Asia Pacific region.

Singapore/Malaysia/Philippines/Indonesia/India/Australia

Telecommunications

- **Philippine Long Distance Telephone Co. (PLDT) said its third quarter net profit fell 28% on higher costs and slowing revenues due to rising inflation.** PLDT, owned by Hong Kong's First Pacific Co Ltd and Japan's NTT Communications and NTT DoCoMo, had net income of 6.9 billion pesos (US\$141 million) in the third quarter against 9.5 billion pesos (US\$195.2 million) a year ago. In the first nine months of the year, PLDT's net profit slid two% year-on-year to 26.2 billion pesos. Analysts do not provide quarterly forecasts for PLDT but estimate its full year net profit will increase by a modest 4% to 37.5 billion pesos (US\$771 million). The current consensus forecast was lower than the 5.3% growth estimate as of early August. Core earnings, which strip out currency and derivative gains, reached 9.1 billion pesos (US\$187 million) in the third quarter, flat from a year ago and were up 5% in the first nine months of the year.
- **Bharti Airtel Ltd. is open to overseas acquisitions at a time when valuations of potential target companies are down due to the global economic crisis.** Bharti posted 27% on-year growth in net profit to 20.46 billion rupees (US\$431 million) on revenue of 90.20 billion rupees (US\$2 billion), up 42% from a year earlier. Bharti had called off sale talks with South African telecom major MTN Group Ltd. after a failure to agree upon a deal structure.
- **Bharti Enterprises Ltd. expects to achieve US\$10 billion in revenue by 2010 as the group expands its new businesses such as agriculture, financial services and retail.** Bharti Airtel Ltd., India's largest mobile firm by users, is a part of Bharti Enterprises. Mittal wanted Bharti Airtel's contribution to Bharti Enterprises' revenue in five years to be no more than 50%, from about 80%-85% currently. After telecom, retail is expected be the biggest contributor to the group's revenue. Bharti Retail Ltd., a unit of Bharti Enterprises Ltd., began its retail operations when it opened small neighborhood stores in the northern Indian state of Punjab in April. It runs about 12 stores currently. The company is expanding its retail business at a slower pace compared with other major Indian conglomerates such as Reliance Industries Ltd., the RPG Group and the Aditya Birla Group, which are building nationwide networks of supermarkets, department stores and convenience stores.

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- **Singapore Telecommunications Ltd. and its regional associates saw more than 170,000 iPhone activations during the fiscal second quarter ended Sept. 30.** About 55% of total activations in Australia were mobile customers new to its unit, Optus, which accounted for the majority share of iPhone activations in the country during the period. 30% of iPhone activations in Singapore during the quarter were made by customers new to SingTel. SingTel said expenses from the iPhone activations in Singapore reduced its earnings before interest, taxes, depreciation and amortization, or EBITA, by about S\$27 million (US\$18 million) for the quarter. Similar expenses cut its Australian EBITA by A\$44 million (US\$30 million). Optus launched the third-generation iPhone in Australia on July 11. SingTel began offering the phone in Singapore on Aug. 22, at the same time as two of its regional mobile associates, India's Bharti Airtel Ltd. and the Philippines' Globe Telecom Inc. began offering the phone in their respective markets.

United States/Canada

Telecommunications

- **Telus Corp. reported sales and profit that missed analysts' estimates after spending more to attract wireless subscribers.** Third-quarter net income fell 30% to C\$285.1 million (US\$241 million) from C\$409.9 million (US\$345 million). Sales rose 6% to C\$2.45 billion (US\$2.1 billion), also missing projections. Sales growth in the mobile-phone unit lagged behind competitors as the company boosted spending on marketing and equipment sales. Wireless operating expenses increased 16% to US\$683.6 million. Telus lost 43,000 landlines as subscribers switched to mobile phones and competing Internet phone providers. Sales at the wireless unit increased 8.7% as the company added 158,500 contract subscribers. Total operating costs rose 11%, partly because of rising marketing spending.

Hardware

- **Dell will increase computer parts purchase in China. Dell has 43% of the global purchase actualized in China and the figure is expected to rise.** Meanwhile, Dell's manufacturing resource in China will be transferred from the coastal area to the inland area to ensure its competitive advantage in cost. Dell indicates that its global industrial layout will not be affected by the American financial crisis and it will keep an eye on fast growing emerging markets.

Internet

- **MySpace plans to announce that it is adopting a new video-identifying technology that will attempt to resolve copyright issues and boost ad revenue from some of the video clips users upload to the social-networking site.** The technology, from a third-party company called Auditude, scans videos for professional often copyrighted content. Auditude's system then indexes the uploaded videos against more than one billion minutes of content from its library. Auditude's system can automatically insert an ad into videos that contain professional content. MySpace and the media companies that produce the content will be able to sell ads tied to the uploaded videos and share ad revenues.
- **Google Inc. backed out of its advertising agreement with Yahoo Inc.** Yahoo continues to believe in the benefits of the agreement and is disappointed Google chose to end the pact rather than defend it in court. The Internet-portal giant further added that the development doesn't change the company's commitment to growth in the search market as the fundamental building blocks of a stronger Yahoo. Yahoo called the deal "incremental to Yahoo's product roadmap" and noted it was committed to continuing to invest in its search business. Google is abandoning its bid after reaching a stalemate with

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regulators, who had been reviewing the partnership for months and preparing to bring suit if the parties were to proceed. The Justice Department had hired veteran litigator Sandy Litvack to help review evidence and build a possible case. The deal would have made Google and Yahoo collaborators rather than competitors for a significant portion of their search advertising businesses reducing an important competitive rivalry between the two companies.

Media, Entertainment and Gaming

- **Viacom Inc., said third-quarter profit dropped 37% as advertising sales declined at U.S. cable channels and Paramount Pictures posted a loss.** Advertising revenue so far this quarter is consistent with the just-ended period. Media companies including Viacom have been hurt by a slowdown in advertising tied to the credit crunch and falling consumer spending. Third-quarter ad sales at cable networks including MTV, Comedy Central and Nickelodeon dropped 3% in the U.S. Cable channels contributed 97% of Viacom's operating income. Sales gained 4.2% to US\$3.41 billion, exceeding the US\$3.27 billion average of 18 analysts' estimates compiled by Bloomberg.
- **Take-Two Interactive Software Inc. Chairman Strauss Zelnick said sales of the company's video games haven't been hurt by the economic slowdown.** Titles from Take-Two, the maker of the "Grand Theft Auto" and "BioShock" games continue to sell very well. Video-game publishers are counting on top-rated titles to attract shoppers during a holiday season that may produce the smallest sales gain in six years. While the game industry isn't immune to a slump, consumers historically continue to spend on entertainment during tough times. Take-Two is adding developers, focusing on lower-cost regions such as Asia. Zelnick resisted a US\$2 billion hostile takeover offer from Electronic Arts. The tender offer expired in August. The decision to fight the bid was the right one, even though the stock trades at less than half of Electronic Arts' final US\$25.74 offer.
- **Electronic Arts Inc. will eliminate 6% of its workforce to save US\$50 million a year.** The company's concerns include reports of a slowdown in foot traffic at stores.

Europe

Mobile/ Wireless

- **There were 56.41 million mobile customers in France at the end of September, an increase of 370,800 from the end of June.** The number of mobile phone customers in France grew 0.7% during the third quarter. The number of customers rose 6.3% from a year earlier and penetration rate increased to 88.7% from 88.1% at the end of June. In metropolitan France, the market share of MVNOs rose to 4.9% from 4.67% at the end of June. MVNOs are operators that rent network capacity from the country's three big carriers. The three mobile network operators are France Telecom SA's Orange brand, Vivendi SA's SFR, and Bouygues SA's Bouygues Telecom.
- **Nokia Corp. is reorganizing parts of its operations, a move that would affect several hundred workers.** The goal is to find new positions for as many of these workers as possible. Up to 450 positions in its markets unit would be affected, while some 130 positions in research and development would be cut. About 35 other jobs would be cut in its global process operations. Nokia has some 60,000 workers globally, 17,000 of which are in R&D.
- **Nokia Corp. is beefing up its emerging markets strategy, as it unveiled several new handsets and a range of services targeted initially at India.** The mobile phone maker, with 38% global market share in the third quarter, unveiled six new mobile devices, including the EUR25 Nokia 1202/1203, the company's lowest-cost device to date, as well as several other handsets that also

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support its continued push into Internet-based services. Nokia, along with many other handset makers, sees mobile services as a growing revenue stream and a key way to keep customers. Within emerging markets such as India it's important to provide value in order to encourage take up. The first services aimed specifically at emerging markets will focus on E-mail, agriculture and education.

Telecommunications

- **Italy's broadband operator Tiscali SpA is in ongoing talks with British broadcaster British Sky Broadcasting Group PLC (BSkyB) about some of its U.K. assets.** BSkyB has entered exclusive talks to buy Tiscali's U.K. assets after rival bidder Carphone Warehouse Group PLC walked away from the long-running auction. News Corp., publisher of this newswire, holds a stake of around 39.1% in BSkyB. BSkyB is understood to have lodged an indicative bid of about 450 million pounds (US\$704.2 million) for the Italian company's U.K. operations, and the price may fall further after more due diligence. Acquiring Tiscali's U.K. operations could boost the broadcaster's broadband offering to make it the third biggest player in the market behind BT Group and Virgin Media. At its last results announcement last week, BSkyB had 1.792 million broadband customers.
- **Deutsche Telekom plans additional cost-cutting efforts, with chief executive Rene Obermann admitting in a press interview that further restructuring will take place.** The latest round of cost-reductions is designed to aid in the revival of the German incumbent's domestic fixed-line business. Obermann admitted that the company's German business looks overstaffed compared with other European telcos. The CEO insisted that Deutsche Telekom will hit its earnings and cash flow guidance for the current year. The telco aims to generate 19.3 billion euros (US\$25 billion) in adjusted EBITDA in 2008 and 6.6 billion euros (US\$8.4 billion) free cash flow, a performance that would match 2007. Deutsche Telekom aims to wring 4.7 billion euros (US\$6 billion) of savings from its current cost-cutting programme. Further measures will likely include savings made through the modernisation of the telco's fixed network. Obermann also referred to rumours that Deutsche Telekom is on the acquisition trail, quashing talk of a potential bid for U.S. mobile operator Sprint Nextel.
- **Mobinil said its third-quarter net profit climbed 15% to 541 million Egyptian pounds (US\$96.9 million) from 472 million pounds (US\$85.3 million) in the third quarter of 2007.** The company's nine-month net profit also rose 2.4% to 1.41 billion pounds (US\$255 million). Mobinil was the last network to offer third generation services in the country. Revenue for the third quarter grew 19% and rose 20% for the nine months.
- **China Telecom (Europe) would expand its Asian-European services, aiming to increase its market share in Europe.** As part of China Telecom's global strategy, China Telecom (Europe) Ltd., which was established in 2006, primarily assists Chinese enterprises to expand their business in Europe, the Middle East and Africa. The company provides superb European-Asian telecommunications solutions. At present, the company is operating three international network nodes in Europe, in London, Frankfurt and Stockholm respectively, and has two offices in Frankfurt and Moscow. It is to open its Middle East office in Dubai at the end of this year. China Mobile and China Netcom, have set up their branches or offices in Britain.
- **Swisscom AG said that third-quarter net profit was down 32%, as the year-ago figure was padded by the sale of a subsidiary, and currency effects will weigh on full-year earnings.** Net profit for the three months ending Sept. 30 of 473 million Swiss francs (US\$404 million). The figure fell short of analyst forecasts of 498 million francs (US\$423 million) in net profit. Revenue was 3.09 billion francs (US\$2.6 billion), up 3.5%, helped by strong growth at Italian broadband operator

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FastWeb SpA, which it bought in May 2007. EBITDA decreased in the third quarter to 1.19 billion francs (US\$1 billion). Apart from price reductions in the traditional telephony business, this decline in the third quarter is mainly due to the launch of the iPhone which had a negative impact on EBITDA of 45 million euros (US\$57 million).

Media, Gaming and Entertainment

- **Virgin Media Inc. has agreed new terms with its senior debt holders to delay repayments on its 4.3 billion pounds (US\$6.7 billion) debt for three years.** The required majority of lenders had voted in favor of amending the repayment schedule and other terms of its loan agreements. The company had sought permission from its lenders to defer bank amortization payments until June 2012 and relax the leverage and interest cover covenants on its debt, for which it needed the approval of 66% of debt holders. The disruption in the credit markets compelled Virgin Media to negotiate a deal earlier than the anticipated date of mid 2009, to allow it more time to completely refinance the principal loan amounts. Virgin's senior debt facilities comprise 4.3 billion pounds (US\$6.7 billion) of loans in A, B and C tranches and a 100 million pounds (US\$156 million) revolving credit facility.

Middle East/South Africa/South America

Telecommunications

- **TIM Participacoes SA reported improved third quarter earnings along with a rise in revenue and wider margins.** TIM, a unit of Telecom Italia, posted a third quarter net profit of 22.5 million Brazilian reais (US\$10.7 million), reversing a loss of 126.9 million reais (US\$59 million) a year earlier. Earnings were slightly below market expectations. A survey of eight analysts, conducted by the local Estado newswire, had an average net profit forecast of 54.6 million reais (US\$25.4 million). TIM ended the third quarter with 35.2 million clients, up 21% from the third quarter of 2007, driven almost exclusively by growth in prepaid subscriptions. Prepaid clients tend to be from lower income brackets. As a result, average revenue per user fell to 29.7 reais (US\$14). However, ARPU was down only slightly.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 11/7/08)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
Japanese yen	¥/US\$	98.1800	-0.3%	-0.3%	-12.8%	-17.5%
Hong Kong dollar	HK\$/ US\$	7.7499	0.0%	0.0%	-0.7%	-0.4%
Chinese renmenbi	RMB/ US\$	6.8255	-0.2%	-0.2%	-6.5%	-12.6%
Singapore dollar	S\$/ US\$	1.4959	0.9%	0.9%	3.5%	-2.7%
South Korean won	KRW/ US\$	1,322.5000	3.8%	3.8%	41.3%	42.2%
New Taiwan dollar	NT\$/ US\$	32.8000	-0.5%	-0.5%	0.9%	0.6%
Australian dollar	US\$/A\$	0.6749	1.1%	1.1%	-22.8%	-14.4%
New Zealand dollar	US\$/NZ\$	0.5900	1.4%	1.4%	-23.8%	-16.2%
Philippine peso	PHP/ US\$	48.2500	-1.0%	-1.0%	17.1%	-1.6%
Euro	US\$/€	1.2709	-0.2%	-0.2%	-13.6%	-3.7%
British pound	US\$/£	1.5651	-2.6%	-2.6%	-21.5%	-20.1%

Fixed Income Prices and Yields							
Note	Currency	Current (on 11/7/08)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	103.80	4.27%	102.77	4.33%	106.30	4.13%
Japan 30-year	¥	102.60	2.25%	103.17	2.22%	107.54	2.09%
Hong Kong 10-year	HK\$	111.98	2.19%	109.88	2.42%	108.47	2.59%
China (06/16)	US\$	111.95	2.92%	108.60	3.40%	108.60	3.40%
Singapore 10-year	S\$	114.05	2.38%	108.90	2.95%	107.94	3.06%
South Korea 20-year	KRW	9,470.89	5.98%	9,470.89	5.98%	9,470.89	5.98%
Australia 15-year	A\$	103.40	5.37%	103.90	5.32%	104.34	5.27%
New Zealand (12/17)	NZ\$	99.34	6.09%	98.98	6.15%	100.44	5.94%
Philippines 20-year	PHP	67.78	13.32%	68.69	13.14%	95.43	9.12%
India 30-year	INR	99.51	8.37%	102.95	8.06%	98.35	8.48%
UK 30-year	£	105.46	4.42%	103.98	4.51%	104.18	4.50%
Germany 30-year	€	99.73	4.26%	98.44	4.34%	98.75	4.32%

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