



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

***Week of 1 December - 7 December, 2008***

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



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Equity Market Indicators					
Index	Closing Level (12/5/2008)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
S&P 500	876.07	-2.3%	-2.3%	-40.3%	-38.2%
Dow Jones Industrial Avg.	8,635.42	-2.2%	-2.2%	-34.9%	-30.7%
Dow Jones Tech. Index	234.20	-3.6%	-3.6%	-49.0%	-43.2%
Dow Jones Telecom. Index	186.98	-1.6%	-1.6%	-40.3%	-28.1%
NASDAQ Composite	1,509.31	-1.7%	-1.7%	-43.1%	-37.5%
The Street.com Net	172.01	-1.4%	-1.4%	-39.0%	-30.4%
Japan Nikkei 225	7,917.51	-7.0%	-7.0%	-48.3%	-54.0%
JASDAQ	44.76	0.5%	0.5%	-38.0%	-48.1%
Japan Mothers	299.90	-4.4%	-4.4%	-61.7%	-73.0%
Korea KOSPI Composite	1,028.13	-4.5%	-4.5%	-45.8%	-28.3%
Korea Kosdaq	302.16	-1.7%	-1.7%	-57.1%	-50.2%
Taiwan Stock Exchange	4,225.07	-5.3%	-5.3%	-50.3%	-46.0%
Singapore Strait Times	1,659.17	-4.2%	-4.2%	-52.1%	-44.4%
Hong Kong Hang Seng	13,846.09	-0.3%	-0.3%	-50.2%	-30.6%
Hong Kong GEM	353.41	0.4%	0.4%	-73.8%	-71.1%
China Shanghai (A-Share)	2,119.84	7.9%	7.9%	-61.6%	-24.7%
China Shenzhen (A-Share)	631.79	11.4%	11.4%	-58.5%	10.9%
China Shanghai (B-Share)	118.30	11.5%	11.5%	-67.7%	-9.1%
China Shenzhen (B-Share)	282.77	12.8%	12.8%	-60.2%	-34.7%

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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

### International

#### *Hardware*

- **Market research firm IDC trimmed its forecast for global LCD TV shipments this year due to the economic slowdown, but it expects lower prices to spur fresh demand next year.** The firm now predicts unit shipments of flat-screen LCD TVs would hit 95 million this year, down 4 percent from 99 million units it projected previously, but the shipments could grow at least 15 percent in 2009. According to the research firm, given the expected continued aggressive ASP decline for next year, it still expects demand to be robust. Some big TV vendors, including Sony Corp and Samsung Electronics Co, have lowered prices of their TVs since the beginning of the year after panel prices weakened.

#### *Semiconductor*

- **Global sales of semiconductor equipment are expected to fall 28 percent to US\$30.9 billion this year as deteriorating world economies prolong a slump in the chip sector.** Sales had declined to levels last seen in 2003. North American chip-equipment orders fell 28 percent in October, while in Japan they plunged 68 percent as chipmakers slashed or even froze spending. SEMI expected a 21 percent decline in 2009 followed by 31 percent growth in 2010, although it was relying on history repeating itself as it had little else to go on. U.S.-based Applied Materials warned this month that profit in the current quarter would fall far short of Wall Street expectations due to the weakening global economy. The Taiwanese market, home to chip packagers and testers such as Powertech and Aptos, was set for a fall of 48 percent, allowing Japan to overtake it as the leading region for sales of new equipment.

### Japan

#### *Hardware*

- **Mitsubishi Electric Corp. has received an order to build the ST-2 communications satellite for a joint venture between Singapore Telecommunications Ltd. and Taiwan's Chunghwa Telecom Co. for 13 billion yen (US\$14 million).** With the order, Mitsubishi Electric will become the first Japanese satellite maker to enter the commercial communications satellite market outside Japan, using its original Japanese-made satellite bus platform. The ST-2 will succeed the ST-1 jointly owned by SingTel and Chunghwa for their various communications businesses. For the production of the ST-2, Mitsubishi Electric has proposed using its original DS2000 satellite bus platform already used in satellites for the Japan Meteorological Agency and SKY Perfect JSAT Corp., an operator of communications satellite broadcasting businesses.
- **Hitachi Ltd. and U.S. chipmaker Intel Corp. would jointly develop solid state drive (SSD) memory devices, which are seen as a promising alternative to hard disk drives.** The move marks a strategic shift for Hitachi, the world's third-largest hard drive maker, which until now has not made a commitment to SSD technology. SSDs are increasingly being used as the storage device in laptop PCs, primarily because they are better at absorbing shocks and consume less power than hard disk drives. Under the agreement, Intel will manufacture SSDs jointly developed by the two firms. Hitachi will sell the devices, with the first shipment planned for 2010. SSD business would market the

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devices for business-use such as in servers and computer storage systems, and that it would not follow rivals like Toshiba in targeting laptop PCs and other consumer-based applications.

- **Goldman Sachs Group Inc. may seek to increase its stake in Sanyo Electric Co., challenging Panasonic Corp.'s plans to take over the large makers of rechargeable batteries.** The bank may offer to buy the shares from Daiwa Securities Group Inc. and Sumitomo Mitsui Financial Group Inc. Goldman earlier spurned Panasonic's offer of 23 percent less than Sanyo's closing price. A bid by Goldman would force Panasonic to raise its offer or abandon the biggest acquisition in Japan's consumer-electronics industry. The latest proposal values the 70 percent stake owned by the three banks at 557 billion yen (US\$6 billion), almost double what they paid in 2006. Sanyo lost 12 percent in Tokyo trading, taking its loss for the year to 3.9 percent.

## *Telecommunications*

- **Alibaba Group's online payment tool Alipay partnered with SoftBank Payment Service to provide cross-border payment services to Japanese companies, reports 163.com.** The SoftBank subsidiary will promote Alipay to Japanese sites. SoftBank Payment Service expects ten or more Japanese sites to use the Alipay service to sell to Chinese consumers in 2009. Alibaba Group subsidiary Alibaba.com partnered with Softbank to establish Alibaba.com Japan in May.
- **NTT DoCoMo Inc. is canceling its planned spring release of a new smart phone from Nokia Corp.** The move comes in response to the Finnish company's announcement that it will stop supplying handsets to NTT DoCoMo Inc. and Softbank Mobile Corp. by early next year. DoCoMo was preparing for the rollout of Nokia's E71 handset, which features enhanced Internet capabilities and has a full keyboard with the same setup as can be found on personal computers.
- **NTT DoCoMo Inc. aims to boost its overseas business to account for 10 percent of sales within five years from 2 percent now, as it continues to seek acquisitions after an investment in an Indian operator.** DoCoMo announced last month that it would pay US\$2.7 billion for a 26 percent stake in Tata Teleservices, India's No. 6 wireless carrier, making an entry into the world's fastest-growing major mobile market. Toshihiko Kunieda, senior vice president and managing director of DoCoMo's global business division, said that the company aims to expand its overseas business through more acquisitions and increased cooperation with firms in which it has already invested.

## **Korea**

### *Telecommunications*

- **SK Telecom and China Mobile will work together to set up TD-LTE laboratories, carry out TD-LTE outfield tests, and press ahead with TD-LTE standardization, according to terms of the cooperative memorandum signed by the two parties lately in Beijing.** They are scheduled to complete establishment of the laboratories and outfield tests next year. They also had discussions about the prospect of TD-LTE technologies, market potential and help from the government. The cooperation between China Mobile and SK Telecom in TD-LTE signals that TD-LTE standards and technologies have been accepted by more telecom carriers the world over. The combined efforts of China Mobile and SK Telecom will further speed up development of TD-LTE technologies and products.

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## *Semiconductors*

- **Hynix Semiconductor Inc. announced that it has extended a payment deadline for Numonyx BV 's investment in one of the South Korean company's overseas units.** Hynix extended the deadline for one year from December 31 for Numonyx BV to invest US\$100 million in Hynix's plant in Wuxi, China. The delay was made at the request of Numonyx, a joint-venture chip company run by Intel Corp. and STMicroelectronics NV. The South Korean company signed a deal with Numonyx in late September in which the latter promised to buy a 10 percent stake in Hynix's Chinese plant. The two companies signed a comprehensive tie-up deal in August.

## *Hardware*

- **Samsung Electronics Co. and LG Electronics Inc. have lowered their handset sales targets for next year due to a slump in global demand.** Samsung now expects to sell 222.8 million mobile phones in 2009, down from an earlier target of 242 million units, while LG targets to sell 105.6 million handsets, down from an earlier target of 119 million units. For the fourth quarter of this year, Samsung now expects to sell 62.24 million units, down from an earlier forecast of 66.54 million units, while LG hopes to sell 24.96 million units, down from 25.36 million earlier.
- **Samsung Electro-Mechanics Co. has delayed a planned buyout of a Chinese circuit board maker due to the prolonged approval process by Chinese regulators.** Samsung Electro, a parts manufacturer under Samsung Group, signed a 27.1 billion won (US\$20.4 million) deal in October to take over a 95 percent share of Unicap Electronics Industrial Co., which specializes in circuit boards used for liquid-crystal displays. The South Korean manufacturer has tentatively delayed the buyout date, originally scheduled for November 30, to the end of January 2009, citing a prolonged environmental approval process by Chinese authorities and other due diligence procedures.

## **China**

### *Internet*

- **360buy.com has canceled plans to build a Chengdu subsidiary, which was originally expected to contain a 1,200-seat calling center.** The company will not reduce its advertising budget in an effort to stay on track with its target to reach 3 million registered users, three-times the current figure, in 2009. The digital-product-focused site puts 80 percent of its ads online with 70 percent of online ads placed on search engines. Monthly sales volume on 360buy.com exceeded 100 million yuan (US\$15 million) by November and targets sales volume of 1.2 billion yuan (US\$175 million) for the whole year. Sixty percent of 360buy's 1 million registered users are active users.
- **eBay established its first South China office in the Nanhai District of Foshan, Guangdong province, reports Sohu.** The office plans to promote small and medium-sized local e-commerce enterprises through government partnerships. More than half of eBay sellers come from the Pearl River Delta. The company also launched the first "eBay Nanhai E-commerce Contest" on the same day to train college students in the e-commerce business.
- **Netease.com would soon launch the official version of the free desktop email Right-key Mail. And it suggested Internet users not to download the beta version of the application because it is not completed.** The beta version has been given away and widely downloaded by Internet users recently. The official version of Right-key Mail is scheduled to hit the market this month at the soonest. The new application supports emails of 163.com, 126.com, and Yeah.net and it enables email users to receive and send email on the desktop. Some users say that the new tool is practical, but the



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function is somewhat simple. A lot of users have doubted that the new application is not developed by Netease.com. The application is developed independently by itself and its developers are speeding up their efforts in a bid to come up with the official version as soon as possible.

## *Information Technology*

- **Domestic import/export volume for IT products reached US\$754.84 billion, up 17 percent year-on-year, in the first ten months of 2008, an increase 6.9 percent lower than that of 2007.** Exports were up 20.5 percent year-on-year to US\$440.1 billion, while imports came in at US\$314.7 billion, an increase of 12.5 percent year-on-year. IT products made up 36.6 percent of the nation's total exports and 31.9 percent of total imports for the period. China's IT industry posted revenue of 4.7 trillion yuan (US\$683.5 billion) through October, up 17.6 year-on-year. Manufacturing attributed 4.1 trillion yuan (US\$590 billion) to the total, while 643 billion yuan (US\$94 billion) was provided by the software industry.

## *Telecommunications*

- **China is likely to issue the long-awaited 3G wireless telecommunications licenses by the end of this year.** The time was basically ripe for China to issue the 3G licenses but stopped short of giving a timetable. The total construction cost for the nationwide 3G networks would be at least 800 billion yuan (US\$118 billion). China's three telecom operators, China Mobile, China Unicom and China Telecom, will be granted one 3G license each, and have outlined investment plans totaling 210 billion yuan (US\$31 billion) for the first phase of network construction. The 3G licenses will help boost domestic consumption and drive growth in various industries, which is in line with the government's goal of stimulating the domestic economy in the face of weakening external demand.
- **China's telecom industry revenue grew 8.1 percent year-on-year to reach 680 billion yuan (US\$99 billion) in the first ten months of 2008.** This time last year telecom revenue posted an increase of 11.3 percent. China added 79.96 million mobile phone users and lost 14.2 million fixed-line users to reach 627 million mobile and 351 million fixed-line users during the period. Mobile users sent 581.11 billion SMS messages, up 20.1 percent year-on-year, in the first 10 months.
- **China Mobile has granted contracts to four telecommunications equipment vendors in a tender for its locally developed third-generation TD-SCDMA mobile network.** China Mobile gave contracts to ZTE Corp., Huawei Technology Co., Datang Telecommunication Technology Co. and Telefon AB L.M. Ericsson. The executive declined to provide details of the exact contracts awarded to each vendor, but confirmed that Ericsson got 5 percent of the tender. Ericsson received a 5 percent share, or a 175 million Swedish kronor (US\$21.8 million) stake, in the second round of telecom infrastructure spending from China Mobile, half of what it had expected.
- **MediaG3, Inc., a developer for broadband wireless product and interactive rich-media content delivery applications will partner with Yung Nan Provincial Cable Network Company in China pilot project to provide broadband wireless backhaul services.** The participation of Yung Nan Cable Network Company is a milestone step towards commercialization of MediaG3's wireless broadband applications in China's multi-billion dollar rural coverage market space. Yung Nan Provincial Cable Network Company owns 113 local cable TV networks and has US\$1.1 billion in registered capital, US\$2.7 billion in assets with net worth of US\$1.9 billion. Yung Nan Province is 8th largest region in China with over 44 million people. Commercialization to cover just 10 percent of the Yung Nan population will potentially generate over US\$80 million in revenue.



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- **China registered 3.22 million new mobile phone subscribers in October, less than the average monthly increase of 8.5 million recorded in the initial nine months to September.** China had in total more than 627.26 million handset users at the end of October. The slowdown in mobile growth was driven by the change in operator for the country's CDMA mobile network, from China Unicom to China Telecom. The new owner changed the way it counts CDMA subscribers, and as a result, the number of CDMA subscribers was 4.99 million fewer than at the end of September. The total revenue for the telecommunication sector reached 680 billion yuan (US\$99 billion) in the ten months to October, up 8.1 percent from 2007. The total investment in the telecommunication sector reached 185.05 billion yuan (US\$30 billion) in the first ten months, up 9.9 percent year-on-year.
- **Huawei Technologies Co Ltd. has been selected to build a 40Gbps (40G) optical transport network for China Unicom across five major cities in Northern China, centered on Beijing.** The 40G wavelength division multiplexing (WDM) transport solution will substantially increase China Unicom's network capacity and enable it to meet the increasing demand for high-bandwidth broadband from China's business and residential customers using new multimedia services. Huawei said that its 40G WDM solution can achieve ultra-long haul transport without electrical regeneration, reducing investment costs and enabling efficient and scalable deployments in countries like China where dense urban centers are often separated by vast distances.

## *Media, Entertainment and Gaming*

- **Mid-size game developers launch their new games.** As NC Soft's new MMORPG, Aion, is making a mega hit in the market, three mid-size game developers are also launching their new MMORPG games. MGame's Holic 2, Wemade's Tartaros Online and Hanbit Soft's Aika Online are the newly launched games. MGame began the open beta service of Holic 2 on November 28, Wemade will open its new game Tartaros Online on December 4 and on December 18, Hanbit Soft will show Aika. Holic 2 is the so-called UCC game. Generally, an MMORPG game is being played in the fixed environment, but, in Holic 2, players can decide their own environment to fight monsters. In addition to Korea, the game will also open in Taiwan, China, Japan, the U.S. and Hong Kong within 6 months.
- **Shanda Interactive Entertainment Limited announced third quarter net income of US\$49.4 million, up 41.1 percent from the third quarter of 2007 and 20.5 percent from the second quarter of 2008.** Net revenues were US\$137.3 million, up 42.7 percent year-on-year and 11.8 percent quarter-on-quarter, with revenues from massively multiplayer online role-playing games (MMORPGs) and casual games up 39.9 percent and 45.7 percent year-on-year to US\$113.2 million and US\$17.6 million, respectively. Shanda's active paying accounts (APA), over all commercially operated games, grew 18.2 percent from the previous quarter to 6.96 million. MMORPG APA was up 22.4 percent sequentially to 5.19 million, with average monthly revenue per paying account down 9.3 percent to 49.6 yuan (US\$7.2). The company attributed the decline to dilution from new users with lower spending. Shanda recorded 1.77 million APA for casual games, up 7.4 percent quarter-on-quarter, with average monthly revenue per paying account up 3.7 percent to 22.6 yuan (US\$3.3).
- **Shanda Interactive Entertainment Ltd. will make strategic investment in Shanghai Weilai-Tech.com and CaiAcai.com, two local online game operators through the 18-fund launched by its subsidiary Shangda Games.** Chen Tianqiao, CEO and Chairman of Shanda noted that the cooperation with the two local game operators marks its broadening prospects on the future and Shanda is willing to join hands with more Chinese peers to usher in the new vision for China's interactive entertainment industry.

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- **Beijing cable TV network operator Gehua CATV Network has received a 20 million (US\$3 million) subsidy from Beijing's finance bureau to fund digital TV transfers.** The subsidy would not influence 2008 net profit. The company announced a similar subsidy for 70 million (US\$10.2 million) on July 1 that was expected to increase 2008 profit by 8.17 million yuan (US\$1.2 million).
- **NetDragon will release MMORPG "Disney Fantasy Online" in the spring of 2009.** Disney Fantasy offers Disney characters as non-player characters, turn-based battle modes, pet and castle building/personal space systems and virtual items. NetDragon released the game's official site. The company had signed with Buena Vista Internet Group, a wholly-owned subsidiary of Walt Disney, earlier this year to develop and distribute a 2.5D MMORPG for launch next year. It will also develop its first in-house 3D MMORPG based on the themes, characters and content of Electronic Arts' real-time strategy "Dungeon Keeper" PC games. NetDragon has gained exclusive operating and distribution rights for the online game in Greater China.
- **Shstorm Entertainment plans to double employees to 600 in a 2,000-square-meter subsidiary that will be established in Changzhou, Jiangsu province at the end of December.** Shstorm plans to hire 200-300 employees for the new subsidiary but has yet to begin recruitment. Shstorm intends to set up branches in Seoul, South Korea, North America, and Jinan, Shandong province in 2009 to attract new research and development staff. The CEO partially attributed the expansion to profitability.

## *Mobile/ Wireless*

- **Shanghai Media Group (SMG) subsidiary Shanghai Dragon Mobile has partnered with China Mobile subsidiary Shanghai Mobile to reduce mobile TV fees to 5 yuan (US\$0.70) from the current 10 yuan (US\$1.50) through the end of December.** Users may also receive a RMB 5 refund in the second month for the first month's spending. Shanghai Mobile has also lowered traffic fees to the current 0.01 yuan (US\$.001) per MB from the former 0.03 yuan (US\$.004) per KB through late December.

## *Alternative Energy*

- **Solarfun Power Holdings reported third quarter results with net revenues of US\$187.8 million, up 69.1 percent year-on-year but down 5.7 percent quarter-on-quarter, after market open.** Net loss for the quarter was US\$6.5 million, compared to profit of US\$9.4 million in the year-ago period. PV module shipments were up 53 percent annually to 41.8MW with an average selling price of US\$4.04 during the quarter. The company expects fiscal 2008 shipments to be at or slightly below the low end of its previously guidance of 175-190 MW. Total shipments are expected to rise 50 percent above 2008 targets in fiscal 2009.
- **Baoding Tianwei Baobian Electric Co. Ltd, Sichuan MinJiang Hydropower and Sichuan Province Investment Group plan to invest a total of 2.7 billion yuan (US\$393 million) to construct a polysilicon project with annual production capacity of 3,000 tons in Chengdu, Sichuan province.** Tianwei Baobian will invest 51 percent of the total, while Sichuan Province Investment Group and Sichuan MinJiang Hydropower plan to contribute 35 percent and 14 percent, respectively. Tianwei Baobian also plans to join Leshan Electric Power in spending 2.2 billion yuan (US\$320 million) to construct another 3,000 ton per annum polysilicon project in Leshan, Sichuan province, with Tianwei Baobian and Leshan Electric Power contributing 49 percent and 51 percent of assets, respectively. The project is expected to begin production after three years and reach full capacity after five years.

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## Taiwan

### *Hardware*

- **Some 24,172 units of projectors were delivered in Taiwan in the third quarter, a quarter-on-quarter (QoQ) increase of 12.7 percent and a 16.6 percent increase from the same period of last year.** The Taiwan branch of IDC attributed the shipment growth to the increased demand from government tenders, especially for public schools. However, demand from the business sector saw a 13.3 percent QoQ decrease due to the more prudent buying sentiment amid the global economic downturn as well as a 15.7 percent QoQ decrease in the household sector. The XGA models continue to be the market mainstream during the third quarter by winning a 66.7 percent share in the overall market, while SVGA (Super Video Graphics Array) accounted for 23.5 percent.

### *Semiconductor*

- **Taiwan Semiconductor Manufacturing has reduced revenue and profit guidance for the current quarter to December due to declining wafer shipments resulting from continuing weakness in global economic conditions.** The chipmaker now expects consolidated sales in the fourth quarter of NT\$63-65 billion (US\$1.9-2.0 billion), down from NT\$69-71 billion (US\$2.1 billion) guidance. Profit margin guidance has been cut by 4 percentage points. The gross profit margin is now seen in a range of 30-32 percent, against previous guidance of 34-36 percent, while the operating profit margin is projected at 17-19 percent against 21-23 percent previously. The company expects to release its fourth-quarter results on January 22, 2009.
- **Siliconware cut its fourth-quarter sales forecast, a day after its larger local rival ASE slashed its sales guidance for the same quarter due to the economic slowdown.** Because the global economy continues to deteriorate, orders in November and December dropped sharply. Siliconware now expects its October-December sales to fall 25-28 percent from the previous quarter, worse than a previous forecast of an 8-13 percent drop. The company also cut its fourth-quarter operating profit margin forecast to between 7 and 9 percent from the previous 14-16 percent.

## Hong Kong

### *Internet*

- **The number of internet users in Hong Kong increased to 1.94 million in September this year, up from 1.93 million at the end of August and up from 1.85 million in September 2007.** Dial-up users grew to 944,585 from 939,463 at end-August. The number of leased line users rose to 1850, while household broadband users rose to 1.78 million from 1.76 million a month earlier. Corporate broadband users went up to 157,420 from 157,132 in August.

## Singapore/Malaysia/Philippines/Indonesia/India/New Zealand/Australia

### *Telecommunications*

- **Telecom New Zealand denies receiving bid for Australian unit from Pacnet.** The company said it has not received an offer for its Australian unit AAPT from privately-held Asian telecom company Pacnet and added it was committed to ownership of that company. According to the source, speaking on condition of anonymity, Pacnet would be offering US\$420 million for AAPT, Australia's number three phone company. Pacnet, which was formed earlier this year from the combination of Asia

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Netcom, once part of China Netcom, and Pacific Internet, would finance its unsolicited offer with cash and equity. AAPT trails Australia's two leading phone companies, Telstra Corp. and Optus, the local arm of Singapore Telecommunications. AAPT expects to generate operating profit of at least A\$70 million (US\$45 million) in the year ending June 30, the company said last month.

- **The Singapore government announced that it has received four bids from groups vying to operate Singapore's national broadband network.** Local telecommunications firms Singapore Telecommunications Ltd., StarHub Ltd. and MobileOne Ltd each submitted an independent bid, Singapore's Infocomm Development Authority said on its Web site. The fourth bid was from a consortium comprising Cisco Systems Inc. and Axia NetMedia Corp.
- **The High Court in Mumbai High dismissed Vodafone's plea against US\$2 billion tax liability imposed by the Indian authorities.** Vodafone argued the Indian tax authorities did not have the right to levy tax on its US\$11 billion acquisition of Hutchison Essar, an Indian mobile operator. In February 2007, Vodafone bought a 67% stake in Hutchison Essar from Hong Kong-based conglomerate Hutchison. India's tax authority insisted that although Vodafone was the buyer and Hutchison the seller, Vodafone should have withheld an estimated US\$2 billion of capital gains tax on behalf of the government, in effect acting as a tax collector for the Indian government. Vodafone said the sale of shares took place between foreign companies, which, according to precedent, exempted the transaction from taxation in India. According to The Financial Times, Vodafone paid the money paid for Hutchison Essar stake to a Dutch company controlled by Vodafone, which in turn paid it into a Cayman Island entity run by Hutchison. It was then moved into another Cayman Island account belonging to a company that indirectly held a controlling stake in the India-based mobile operator. According to the Economic Times, the tax department has also demanded Rs4.5 billion (US\$90 million) from Tata Industries, part of the Tata group, for its Rs6.6 billion purchase of a stake in mobile operator, Idea Cellular, from AT&T in 2005.

## United States/Canada

### *Mobile/Wireless*

- **Canadian wireless modem company Sierra Wireless Inc. made a 218 million euros (US\$276.4 million) offer for Wavecom, stepping in as a white knight in Wavecom's battle to resist a takeover offer from Gemalto NV.** The Wavecom founders have agreed to tender their shares, which represent 21 percent of Wavecom's capital. Wavecom originally described the Gemalto offer as hostile and urged Wavecom shareholders not to tender their shares. The offer didn't reflect the strategic value of the company.

### *Telecommunications*

- **Hawaiian Telcom Communications Inc. filed for bankruptcy protection, a black eye for buyout firm Carlyle Group and another blow to the reeling world of private-equity investing.** Carlyle bought Hawaii's largest telephone carrier from Verizon Communications Inc. in 2005 for US\$1.6 billion, putting up US\$425 million in equity and using debt to finance the rest. Carlyle stocked the board with a team of telecom experts, including William Kennard, former chairman of the Federal Communications Commission, and former Nextel Communications Inc. Chief Executive Daniel Akerson. But the private-equity firm faced problems from the start. State utility regulators delayed the deal's closing. And billing and customer-service issues plagued Hawaiian Telcom as it created back-office systems from scratch. That spurred customers to drop service for wireless and cable providers.

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- **AT&T Inc. will cut about 12,000 jobs, or 4 percent of its work force through the end of next year, as the global economic downturn quickens telecommunication companies' moves to cut costs at their declining landline businesses.** Economic pressures, a changing business mix and more streamlined structure led to the decision. The company expects to take a fourth-quarter severance-related charge of about US\$600 million. Although AT&T is cutting jobs in some areas, the company continues to add positions in other parts of its business - such as its wireless, video and broadband segments - to meet customer demand. Nonetheless, AT&T plans to cut next year's capital spending to below this year's level. Investors could be pleased at the capital spending reductions through 2009, but he is still concerned about sales to businesses amid the continuing recession.
- **The asset merger between Sprint Nextel Corp. and Clearwire Corp. aimed at forming a cutting-edge new wireless Internet network was closed, with help from a US\$3.2 billion investment by Google Inc., Intel Corp., Comcast Corp. and others.** The merger, which has Sprint blending valuable spectrum rights and other assets with Clearwire, is expected to pave the way for a broader network based on so-called WiMax technology, a powerful wireless standard that could develop into an alternative to more traditional cellular phone networks. The new network is seen as crucial to Sprint's efforts to keep pace with larger rivals AT&T and Verizon Wireless, while it's also expected to serve as a sort of test bed for more advanced wireless Internet devices and applications. The investments by Google, Intel, Comcast and others were previously disclosed. Additional investors in the venture include Time Warner Cable and Bright House Networks.

## *Software*

- **Microsoft Corp. is in talks to acquire Yahoo Inc.'s online search business for US\$20 billion.** The proposal forms the centerpiece of a complex transaction that would see Microsoft support a new management team to take control of Yahoo. Microsoft has no plan to table another takeover bid for the web giant, after its aborted US\$47.5 billion offer earlier this year. Jonathan Miller, ex-chairman and chief executive of Time Warner Inc. unit AOL, and Ross Levinsohn, a former president of Fox Interactive Media, part of News Corp., have been lined up to lead the new management team. News Corp. owns Dow Jones, publisher of this newswire. Senior directors at Microsoft and Yahoo have agreed the broad terms of a deal, but there is no guarantee that it will succeed.

## *Hardware*

- **Palm Inc.'s fiscal second-quarter warning only adds pressure to the highly anticipated next-generation platform slated for the first half of next year.** The company has put all of its eggs into a Linux-based mobile operating system known as "Nova," designed to rival the latest and greatest from Apple Inc., Research in Motion Ltd. and Google Inc. But with a product at least two quarters away, Palm needs to hunker down to survive the grueling competition and sharp drop in spending. The company already has vowed to cut expenses by US\$20 million a quarter. But in slashing its budget, Palm can't ignore its research and development, and must continue to invest even as things get bleak.
- **Dell has received its largest customer order to date for the innovative EqualLogic enterprise-class data-storage system from the Japan Institute of Advanced Science and Technology (Jaist).** Jaist will implement 38 units of Dell's EqualLogic PS5000X storage arrays and 21 units of Dell's EqualLogic PS5000E iSCSI San technology into its data centre. This will enable Jaist to use its Raid sets automatic configuration and load distribution to help ease management and operation of the institute's high-speed file-server system. Jaist operates one of Japan's leading research institutes and graduate schools in the fields of cognitive science, information science and material science. In step



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with the increasing adoption of storage virtualization, iSCSI technology is gaining popularity over fiber-channel San, or storage-area networks, in enterprise storage.

- **Hewlett-Packard Co. (HP) is freezing salaries as part of Chief Executive Officer Mark Hurd's efforts to contain costs.** Employees have been notified by e-mail that they won't receive a salary increase in fiscal 2009, which began in November. The only exceptions will be in countries where pay freezes are illegal. Hurd has cut jobs, closed offices and merged data centers to lift profit, even as he expands through acquisitions. HP also is limiting travel, curtailing hiring and eliminating favorite science projects to save on research costs in 2009.

## Europe

### *Mobile/ Wireless*

- **Nokia Corp. is set to unveil an ambitious new smartphone with a touch-sensitive screen, a slide-out full keyboard, and access to a range of Web-based software applications, part of an emerging class of do-it-all mobile devices.** The company is to introduce the phone, dubbed the N-97, at an event in Barcelona, but it won't ship the device until the first half of 2009. It will sell for 550 euros (US\$699), though wireless carriers will likely discount the retail price. Nokia declined to discuss whether any U.S. carriers will offer the phone at launch. Cellphone manufacturers generally make trade-offs for aesthetics, affordability and battery efficiency. But with fierce competition at the high end of the consumer market, there is pressure across the industry to stuff more and more features into a single device. The N-97 has the touch screen popularized by Apple Inc.'s iPhone, a real keyboard that appeals to users of BlackBerrys and Nokia's own E-Series devices, and fast Wi-Fi Internet access to complement third-generation broadband access.
- **Nokia Oyj cut its outlook for fourth-quarter sales in the handset industry, saying the slowdown had continued more rapidly since the middle of last month.** Industry sales for this quarter will be lower than the 330 million units it had predicted last month. The company could no longer confirm its earlier prediction of having 38 percent global market share or higher in the quarter. In 2009, industry sales will fall by 5 percent or more, marking the first decline since 2001. The company anticipated to the market would decline, without giving a specific forecast. The revision marks the third time in as many months Nokia has revised targets. Nokia aims to increase its market share next year from 2008, including for smartphones.

### *Telecommunications*

- **The U.K.'s major telecoms players predict a return to a monopoly situation in the next-generation access space.** This policy vacuum leaves the industry guessing as to how the next-generation access market will be regulated, thereby delaying crucial investment decisions. The current regulatory framework centers on the importance of facilities-based competition, backed by the introduction of local loop unbundling (LLU). But while LLU works for existing copper networks, it does not easily translate into the next-generation access world, for both cost and technical reasons. Sub-loop unbundling - through which the alternative player interconnects with the local access network at a point between the network owner's site and the end user, getting closer to the end-user than with LLU and the use of wireless networks are among the possible options, but neither will provide an ideal solution.
- **Telekom Austria AG has sold off two minor fixed line operating units in the Czech Republic and Slovenia to focus foreign growth on mobile communications.** The two units, which offer

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fixed line telephony and Internet connections and were sold as of December 1, 2008 were initially purchased a year ago with Telekom Austria's acquisition of Austrian eTel. A small Czech Internet-providing unit of Telekom Austria was also included in the deal, as it had been fused with eTel Czech Republic after the eTel takeover. Telekom Austria wouldn't disclose the sales price, but that the transaction wasn't of a size that warranted an official announcement. The sell-off signified a strict focus on the ailing domestic fixed line business, and that for growth abroad, Telekom Austria intends to rely on mobile communications business exclusively.

- **In a move that underlines its focus on cost-reduction, BT announced the appointment of Tony Chanmugam as its new group finance director.** Between 1997 and 2004, Chanmugam served as CFO and then chief operating officer at BT Global Solutions. Chanmugam led cost-efficiency programs that delivered annualized cost savings of around 1 billion pounds (US\$1.5 billion).
- **Chief Financial Officer Karl-Gerhard Eick will leave Deutsche Telekom on Feb. 28, 2009 to work for another company.** The news came as a surprise as Eick's contract wasn't due to expire until 2012. Eick joined Deutsche Telekom in November 1999 and served as chief financial officer from the start of 2000. Since 2002, Eick was also deputy chairman of Deutsche Telekom's board of management. The company's debt was reduced significantly under Eick's tenure, from a peak of 70 billion euros (US\$89 billion) to around 40 billion euros (US\$51 billion) now. Financial situation of Germany's incumbent telecom provider is stable.
- **Alcatel-Lucent unveiled a US\$230 million contract to upgrade China Telecom Corp.'s Code Division Multiple Access mobile phone network, ahead of an expected investment boom from the award of third-generation licenses in China.** Chinese operators are awaiting 3G licenses from the country's government. China Telecom plans to invest 80 billion yuan (US\$11.6 billion) during the next three years to update its CDMA digital mobile technology network. Alcatel-Lucent is supplying a web of base stations to deploy the network across 56 cities in nine Chinese provinces by the end of the year, adding these can be upgraded to support 3G services in the future.

## *Semiconductor*

- **STMicroelectronics NV's fourth-quarter profit warning underlines the need for the company to crank up cost-cutting measures as slumping demand eats into revenue and margins.** A steady drum beat of profit warnings in recent weeks from peers such as Intel Corp., and companies further down the supply chain, such as Nokia Corp. and Best Buy Co., meant STMicro's cut in revenue and margin guidance shocked few market observers. Some analysts had already urged the Franco-Italian company to take action despite the support given to its profits from the stronger dollar. One area ripe for closer attention is STMicro's recently bolstered wireless business. The division has taken on engineers from Nokia, swallowed up the mobile chip activities of Dutch peer NXP Semiconductors, and is set to combine the resulting business with the chip technology operations of wireless equipment giant Telefon AB L.M. Ericsson.
- **Numonyx delayed a purchase of a small stake in its Chinese joint venture with Hynix Semiconductor as chip makers grapple with a major industry downturn and cash shortage.** Numonyx, formed earlier this year, is owned by STMicroelectronics, Intel Corp and Francisco Partners. Numonyx had sought to increase its control in the Hynix-led Chinese chip making venture by purchasing a 6.6 percent stake worth US\$100 million from the South Korean partner. It already bought US\$50 million worth and was supposed to pay for the rest by the end of this year. The remaining US\$50 million deal would now be completed by the end of 2009. The delay was at Numonyx's request.



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## Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 12/5/08)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2008	% Change 1/1/2007
Japanese yen	¥/US\$	92.8200	-2.8%	-2.8%	-17.5%	-22.0%
Hong Kong dollar	HK\$/ US\$	7.7499	-0.001%	-0.001%	-0.7%	-0.4%
Chinese renmenbi	RMB/ US\$	6.8745	0.7%	0.7%	-5.9%	-11.9%
Singapore dollar	S\$/ US\$	1.5221	0.6%	0.6%	5.3%	-1.0%
South Korean won	KRW/ US\$	1,474.5000	0.4%	0.4%	57.6%	58.5%
New Taiwan dollar	NT\$/ US\$	33.5100	0.7%	0.7%	3.1%	2.8%
Australian dollar	US\$/A\$	0.6468	-1.3%	-1.3%	-26.0%	-18.0%
New Zealand dollar	US\$/NZ\$	0.5330	-3.1%	-3.1%	-31.1%	-24.3%
Philippine peso	PHP/ US\$	49.0000	0.3%	0.3%	18.9%	0.0%
Euro	US\$/€	1.2715	0.2%	0.2%	-13.6%	-3.7%
British pound	US\$/£	1.4683	-4.5%	-4.5%	-26.3%	-25.0%

## Fixed Income Prices and Yields

Note	Currency	Current (on 12/5/08)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	126.48	3.12%	117.83	3.52%	103.80	4.27%
Japan 30-year	¥	104.25	2.17%	103.93	2.18%	102.60	2.25%
Hong Kong 10-year	HK\$	114.74	1.88%	115.32	1.82%	111.98	2.19%
China (06/16)	US\$	111.95	2.92%	111.95	2.92%	111.95	2.92%
Singapore 10-year	S\$	116.57	2.11%	114.84	2.29%	114.05	2.38%
South Korea 20-year	KRW	9,470.89	5.98%	9,470.89	5.98%	9,470.89	5.98%
Australia 15-year	A\$	113.20	4.36%	109.72	4.71%	103.40	5.37%
New Zealand (12/17)	NZ\$	108.42	4.84%	105.67	5.21%	99.34	6.09%
Philippines 20-year	PHP	79.49	12.27%	68.89	13.10%	67.78	13.32%
India 30-year	INR	110.72	7.41%	105.73	7.82%	99.51	8.37%
UK 30-year	£	115.98	3.85%	110.82	4.12%	105.46	4.42%
Germany 30-year	€	115.90	3.40%	109.65	3.72%	99.73	4.26%

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