



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

***Week of 19 January 2009 - 25 January 2009***

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



Week of 19 January 2009 - 25 January 2009

## Table of Contents

<b>Equity Market Indicators</b>	<b>3</b>
<b>Technology, Media, Telecommunications and Life Sciences Market Activity</b>	<b>4</b>
<b>Weekly Highlights</b>	<b>5</b>
International	5
Japan	5
Korea	6
China	8
Taiwan	10
Hong Kong	10
Singapore/Malaysia/Philippines/Indonesia/India	11
United States/Canada	12
Europe	14
<b>Other Economic Data</b>	<b>16</b>
Currency Exchange Rates	16
Fixed Income Prices and Yields	16

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



Week of 19 January 2009 - 25 January 2009

Equity Market Indicators					
Index	Closing Level (1/23/2009)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2008	% Change 12/31/2007
S&P 500	831.95	-2.1%	-4.2%	-7.9%	-43.3%
Dow Jones Industrial Avg.	8,077.56	-2.5%	-4.6%	-8.0%	-39.1%
Dow Jones Tech. Index	241.81	-2.2%	-1.0%	-3.8%	-47.3%
Dow Jones Telecom. Index	180.01	-2.4%	-8.1%	-9.9%	-42.6%
NASDAQ Composite	1,477.29	-3.4%	-3.1%	-6.3%	-44.3%
Japan Nikkei 225	7,745.25	-5.9%	-9.1%	-12.6%	-50.5%
JASDAQ	44.80	-1.6%	-4.0%	-7.1%	-37.9%
Japan Mothers	329.66	-1.6%	3.2%	1.9%	-57.9%
Korea KOSPI Composite	1,093.40	-3.7%	-3.1%	-2.8%	-42.4%
Korea Kosdaq	352.83	-0.5%	5.7%	6.3%	6.3%
Taiwan Stock Exchange	4,247.97	-2.4%	-4.0%	-7.5%	-50.1%
Singapore Strait Times	1,685.23	-2.6%	-3.0%	-4.3%	-51.4%
Hong Kong Hang Seng	12,578.60	-90.6%	-11.3%	-12.6%	-54.8%
Hong Kong GEM	356.20	0.0%	-4.6%	-7.6%	-73.6%
China Shanghai (A-Share)	2,089.90	1.8%	6.8%	9.3%	-62.1%
China Shenzhen (A-Share)	641.97	1.6%	6.1%	10.4%	-57.8%
China Shanghai (B-Share)	124.79	3.3%	13.7%	12.5%	-65.9%
China Shenzhen (B-Share)	284.01	0.5%	5.3%	4.7%	-60.0%

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



Week of 19 January 2009 - 25 January 2009

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						

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



Week of 19 January 2009 - 25 January 2009

## Weekly Highlights

### International

#### *Mobile/ Wireless*

- **The mobile-phone market is polarizing as the global economic fall prompts some consumers to trade down to cheaper devices and operators feed demand for high-end handsets by promoting them with financial supports.** Nokia Oyj is selling entry-level devices costing less than US\$50 and advanced phones with satellite navigation, music and e-mail as fewer consumers consider mid-tier handsets. The global handset industry will shrink for the first time in eight years. Sony Ericsson Mobile Communications Ltd., Motorola Inc. and LG Electronics Inc. have struggled to come up with hit phones or hesitated in their attempts to broaden their product offerings. Nokia, which ships 15 units per second, may boost its global market share to more than 40 percent in 2009. Samsung Electronics Co. will increase its market share and remain the second-biggest phone maker. Fourth-quarter profit at the unit that makes mobile-phones fell 42 percent from a year earlier, while revenue increased 43 percent, as competition drove up marketing expenses. Sony Ericsson, which has posted two consecutive quarterly losses and cut jobs, will refocus on pricier models.

#### *Telecommunications*

- **Pac Rim Development, a joint venture between Telecom New Zealand, Merchant Capital and Elanida, has received a license from the US FCC to lay a submarine cable system linking Samoa, American Samoa and Hawaii.** The system will consist of two cables – one linking Hawaii to American Samoa, and the other between American Samoa and Samoa. The new cable system will be built mostly with 5Gbps capacity, except for the Hawaii-Pago Pago link, which will be just 1Gbps. The project involves removing part of the PacRimEast cable between Hawaii and Auckland and re-using it for the Samoan. Installation of the cable in Samoa will occur in late February. Pac Rim expects to complete construction on March 23 and to have the cable operational by April 10. The company stressed that these dates are subject to favorable weather conditions.

#### *Media*

- **According to the report by International Federation of the Phonographic Industry (IFPA), the international body which represents the recording industry, the international digital music market grew by around 25% in 2008 to reach US\$3.7 billion in the sector's sixth consecutive year of expansion – even though 95% of songs are still downloaded illegally.** Digital platforms now account for around 20% of recorded music sales, up from around 15% in 2007. Last year also saw the trend towards ISP co-operation reach Asia, with the region's operators introducing a number of initiatives designed to combat piracy, the report states. T

### Japan

#### *Semiconductor*

- **Elpida Memory Inc. aims to merge operations with Promos Technologies and two other Taiwanese DRAM makers amid plunging chip demand.** Once merged, the four chipmakers would seek financial support the Taiwanese government is considering offering to chipmakers, the country's main industry. Taiwan's government said this month it had asked Promos to resubmit a

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



Week of 19 January 2009 - 25 January 2009

reorganization plan jointly filed with Elpida, apparently seeking assurances of support for the domestic sector.

- **S.E.S. Co. Ltd. filed for bankruptcy protection, hurt by sliding orders and tight credit lines as memory chip makers slashed or even froze spending.** S.E.S., whose main customers include Samsung Electronics Co. Ltd. and Hynix Semiconductor Inc., filed for protection under a court-led rehabilitation law with 14.3 billion yen (US\$158.4 million) in liabilities. Global spending on semiconductor equipment is expected to have fallen almost 30 percent in 2008, hurting balance sheets at even bigger chip gear makers such as Applied Materials Inc. and Tokyo Electron Ltd. S.E.S., which makes machines that clean silicon wafers before they are cut into microchips, said it will receive support from South Korean partner and liquid crystal display equipment maker Zeus Co. Ltd. and an unnamed Japanese trading firm.
- **Sumco Corp. plans to cut capital spending by 80 percent in the next business year to about 30 billion yen (US\$334.5 million).** Sumco cut its annual net profit outlook by 44 percent as the global financial crisis forces clients to cut production.

## *Internet*

- **Baidu Japan has cooperated with Willcom Inc., a telecom operator in Japan, to launch Chinese-language audio search service in Japan.** The service is customized to Chinese people that are visiting or on business in Japan. Baidu Japan disclosed that the company and Willcom are actively co-developing shortcut plug-in products for Chinese tourists in Japan. Some local searching functions will be added in mobile phone in the future to provide more conveniences for tourists from China. Baidu Japan is the fourth largest search engine in Japan. It is reported by Japanese media that tourists from China's mainland and Hong Kong have maintained strong pep of growth in Japan in spite of global financial crisis.
- **Rakuten plans to start offering a PHS (personal handyphone system) service in April by leasing circuits from Willcom.** Rakuten's PHS service will offer voice calls, email communications, and internet access. Partially modified handsets from Willcom are expected to be used initially, but Rakuten is considering offering handsets under its own brand in the future. Rakuten aims to pitch its PHS service to 25,000 or so businesses which operate online stores at the Rakuten Ichiba virtual mall, as well as to roughly 42 million individual members of the virtual mall. It plans to roll out the service first to business customers in April and to individuals by the end of the year. For individual customers, Rakuten intends to issue points based on phone usage that can be used for shopping at the Rakuten Ichiba.

## **Korea**

### *Telecommunications*

- **KT Corp. will absorb its wireless unit, KT Freetel Co., upon receiving regulatory approval.** KT Freetel shareholders will each receive 0.7192335 KT share for each KT Freetel share they own. The merger is aimed at dealing more actively with the business environment and increasing management efficiency and synergies. The company plans to submit an application to the Korea Communications Commission for approval to merge with its mobile phone services unit. KT will issue US\$253 million worth of bonds to NTT DoCoMo, which owns a 10.7 percent stake in KT Freetel. The move is aimed at lowering the merged entity's foreign stakeholding by about 3 percentage points. Without the bond

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



Week of 19 January 2009 - 25 January 2009

issuance, foreign investors' stake in the merged entity would have risen to 48.99 percent from the current 41.2 percent in KT.

- **KT Corp. expected its operating profit to reach 1.8 trillion won (US\$1.32 billion) this year after absorbing its mobile unit KTF.** KT is set to announce 2008 earnings, but analysts polled by Reuters Estimates forecast the company would report a 1.21 trillion won (US\$883 billion) operating profit for last year. KTF posted 454.4 billion won (US\$332 million) in 2008 operating profit. Revenue of the combined firm is expected at 19 trillion won (US\$14 trillion) this year, while capital expenditures are seen at 3.2 trillion won (US\$2.3 trillion).
- **SK Telecom Co. called on the government not to approve a plan by KT Corp. to merge with its wireless affiliate KTF Co. would undermine fair competition in the telecom industry.** Absorbing KTF, the nation's No. 2 mobile phone operator, is expected to help KT better compete with rivals in the saturated telecom market. SK Telecom and other smaller telecom companies have expressed concern over the merger, citing KT's dominant position in fixed-line telephone and broadband Internet services. The merger is subject to approval by the Korea Communications Commission, which oversees the telecom industry, and shareholders of both KT and KTF. KT, a former state-run company, controls more than 90 percent of South Korea's wired telephone market and nearly 45 percent of broadband Internet users. KTF holds a nearly 30 percent share of the mobile-phone market, compared with SK Telecom's 50 percent.

## *Hardware*

- **Samsung SDI swung to a net profit of 38.9 billion won (US\$28.28 million) for 2008, from a loss of 592 billion won (US\$432 million) in 2007.** Samsung SDI, which sells rechargeable batteries and plasma screens, also posted sales of 3.7 trillion won (US\$2.7 billion) for 2008, down slightly from 3.8 trillion won (US\$2.8 billion) in 2007. The company is recovering from a tough series of quarterly losses because of the strong demand for batteries and a restructuring plan that has seen Samsung Electronics Co. Ltd. take over management of its plasma panel business. Under the restructuring, Samsung SDI also spun off its mobile display unit.
- **Samsung Electronics Co. was replacing all heads of its overseas units as part of a reorganization aimed at coping with the deepening global economic slump.** Anticipated as one of the biggest-ever personnel reshuffle in its 40-year-old history, Samsung also reassigned 85 percent of the workforce at its Seoul headquarters, or some 1,200 employees, to production lines, sales operations or regional offices. Only about 200 employees, who are in charge of legal affairs, public relations, investor relations, management support and auditing, will remain at the headquarters. Reshuffle came less than a week after Samsung consolidated its four business divisions - semiconductors, liquid-crystal displays, mobile phones and consumer electronics - into two major groups, in what some analysts say shows a shift to focus on profitability. Samsung cut the pay of its approximate 820 executives by 20 percent and slashed other benefits.
- **LG Electronics posted its first net quarterly loss since 2007.** The company's handset division remains strong and posted US\$3.3 billion in sales for the quarter, up 34.6% and shipped 25.7 million units, up from 23 million from the third quarter and up 8% over the fourth quarter of 2007. As a whole, the company swung to a net loss of US\$488.3 million for the quarter, compared to a net profit of US\$452 million in the same period last year. The company met the expectations it had set in the third quarter, when it predicted it would ship 100 million units in 2008. The company said it shipped 100.7 million units for the year, but it also said shipments could be down 3% in 2009. LG surpassed



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



Week of 19 January 2009 - 25 January 2009

Motorola for third place among handset makers in terms of worldwide shipments in 2008. LG said it would tighten capital spending in 2009.

## China

### *Hardware*

- **Cisco Systems Inc. has completed the restructure of its China arm and maintains its pledge to invest US\$16 billion in China over the next five years.** The company has completed its restructure and reshuffled its management team. Cisco will carry out the promise made by the company's CEO, John Chambers, in November 2007 to invest US\$16 billion in China over the five years from 2008, despite the global financial downturn. The money will be spent on manufacturing and supply chain management. Cisco invested over US\$8.5 billion in China between 2002 and 2007, where Cisco manufactured approximately 25 percent of its products. The company also cooperated with the Chinese government on social welfare projects covering education, health and manufacturing.

### *Mobile/Wireless*

- **CMMB (China Mobile Multimedia Broadcasting) mobile TV signals now cover 150 cities in China.** Network upgrade and optimization for the 37 trial cities will kick off in the next few months. Six chip manufacturers have launched CMMB mobile TV chips, and more than 100 companies have launched over 200 CMMB mobile TV terminal products, including mobile phones, PDAs, digital music players and USB devices. Approximately 82 percent of consumer electronics manufacturers in China have launched or will launch CMMB mobile TV terminals.

### *Telecommunications*

- **China Unicom will focus on providing several key services when its WCDMA network goes into commercial operation on May 17, 2009.** China Unicom's 3G launch will feature key services such as e-maps, mobile mail, MMS (multimedia messaging service), e-books, video calls, mobile TV and digital home networks, which enable users to control home electronic appliances through their mobile phones. China Unicom has completed trials of some of these services in Jiangsu and Guangdong provinces. China Unicom will also release WCDMA phone numbers.
- **Huawei Technologies delivered the CDMA network equipments in 30 major Chinese cities to China Telecom.** Huawei has successfully completed the CDMA network construction in major Chinese cities including Guangzhou, Shenzhen, Xi'an, Suzhou, Ningbo, Tianjin and Urumqi. The local networks in six cities, including Beijing, Wuxi and Xiamen, are undergoing upgrade works. Huawei plans to finish all the major projects by the end of this month. Huawei has completed the construction of 14,000 base stations and 310 core network equipments, fulfilling the yearly delivery goal set by China Telecom. The company will expand the cooperation with China Telecom, said Zhao Ming, vice president for Huawei's wireless product line, adding it will make further contribution to China Telecom's nationwide mobile network deployment.
- **China's three telecom operators have announced their 3G investment plans for 2009 in succession, but industrial analysts reckoned that they are hardly to gain profits in one or two years.** The carriers had network upgrading as soon as they obtained 3G licenses so as to take the preemptive opportunities of 3G business, and the competition on China's telecom market became more intensive. Wang Jianzhou, president of China Mobile requested his staff to make efforts to complete the second phase of TD-SCDMA (TD) construction, which involves 28 cities in advance,



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



Week of 19 January 2009 - 25 January 2009

and start the bids for the third phase of network construction as soon as possible. The company plans to invest 58.8 billion yuan (US\$8.6 billion) to build 60,000 new TD base stations, adding the total to over 80,000; the network will cover 238 prefecture-level cities, accounting for more than 70 percent of the total of the country, with provinces and cities in East China fully mantled.

- **Nortel Networks Corp. said its subsidiaries in Asia, including those in China, won't be affected by its bankruptcy protection.** The bankruptcy protection isn't the same with bankruptcy. The operation of Nortel China is normal. Reportedly, Nortel China has more than 4,000 employees. Nortel announced it plans to seek bankruptcy protection from the U.S.' Bankruptcy Court for the District of Delaware. Under the bankruptcy protection procedure, the company's many branches in Canada and Europe will go out of business. Recently, Nortel restructured its business in Greater China area.
- **China Mobile added 7.07 million new subscribers to its network last month, the Standard reported.** The total number of the mobile customers hit 457.25 million as of end-2008. China Mobile's rival China Telecom had 208.35 million fixed-line subscribers in December, down 2.02 million compared with that of November. China Telecom's total broadband subscribers amounted to 44.27 million, up 700,000. China Unicom, the second largest mobile telecom carrier in China, added 424,000 GSM subscribers in December.

## *Internet*

- **Alibaba.com plans to beef up workforce in 2009, as per industry sources.** The group expects to hire 5,000 people this year and raise the total number of its workers to more than 17,000 by the end of 2009. The recruitment will be focused on China, while Alibaba also plans to expand hiring in the U.S. and Europe, sources said. In 2008, Alibaba Group hired approximately 4,000 people. Overseas technology giants have continued to cut workforce amid the deepening global financial crisis. In order to reduce cost, Motorola Inc said it would axe 4,000 jobs globally, 6 percent of the total employee base, including some in China.

## *Software*

- **Pansoft Company Ltd, a leading enterprise resource planning (ERP) software solutions and services provider for the oil and gas industry in China, announced its three-year growth strategy approved at its recent board meeting.** Pansoft will achieve its expansion through organic growth as well as mergers and acquisitions. As the largest domestic ERP solutions and services provider to the energy industry in China, Pansoft will focus on expanding its project scope and service offerings to various subsidiaries of its large clients.

## *Semiconductor*

- **Semiconductor Manufacturing International Corporation (SMIC) announced the preliminary release of three in-house 65-nanometer standard cell libraries.** The libraries include a high performance Very High Speed (VHS) library, a density and performance optimized High Speed (HS) library, and a power management kit (PMK) for the High Speed (HS) library. These libraries offer a number of technology advantages and design innovations, including an extensive characterization for timing and power, a wide range of drive sizes and functions, and the optimization for density, speed and power. In the Very High Speed (VHS) and High Speed (HS) libraries, tapless cells are developed to enhance the density. Current source modeling is implemented for more accurate timing, noise, and power simulations. SMIC also has a High Density (HD) library under development that will be

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



Week of 19 January 2009 - 25 January 2009

optimized for high density and low power. Once complete, these libraries will greatly enhance SMIC's 65nm manufacturing abilities.

## *Alternative Energy*

- **LDK Solar Co., Ltd. recently announced the operation of its 16,000 ton/year polysilicon project in Xinyu of East China's Jiangxi Province.** Solar LDK plans to put this plant into full production by the end of 2009. Solar LDK started the building of this plant in early 2008 with an aim of slashing production cost and extending industry chain.

## **Taiwan**

### *Semiconductor*

- **Banks behind a NT\$60 billion (US\$1.8 billion) syndicated loan to Taiwan's top DRAM maker Powerchip have agreed to extend the payment of the loan for half a year.** Powerchip spokesman Eric Tang confirmed the loan but said he was not aware of the reported approval of the loan's extension. Taiwan's government has been strongly encouraging domestic banks to relax loan terms and take other measures to provide some relief to local DRAM makers that have posted heavy losses for several quarters due to a larger oversupply of memory chips. As part of the government's efforts, bank creditors agreed in late December to allow one Taiwanese DRAM maker to extend the payment of its loans by six months, Taiwan's economics ministry said but declined to give specifics.

## **Hong Kong**

### *Mobile/ Wireless*

- **Foxconn International Holdings, a contract handset maker for brands such as Motorola, said its 2008 net profit would fall from the previous year as the financial crisis had cut demand for its products.** Higher operating costs and income tax, lower foreign exchange gains and reduced prices also squeezed earnings last year, Foxconn is a unit of Taiwan's Hon Hai Group.

### *Telecommunications*

- **PCCW Ltd. Chairman Richard Li's proposed buyout won the support of the world's two largest proxy advisory firms after he and his co-bidder raised their offer for Hong Kong's biggest phone company.** A revised opinion from RiskMetrics or Glass Lewis would likely sway passive index funds because they typically vote in line with the recommendations of proxy advisers. Li and China Network, owners of a combined 48 percent of PCCW, increased their offer minutes before minority shareholders were due to vote on the bid. The bidders would not raise their offer again. San Francisco-based Glass Lewis offers advice to investors that manage more than US\$17 trillion collectively. Institutional Shareholder Services is the largest U.S. proxy advisory firm.
- **Mobile operator CSL, China Mobile HK, parent of cellular operator Peoples, and Genius Brand, a joint venture between PCCW and Hutchison, each bought 30MHz of spectrum.** CSL paid US\$67.4 million for its spectrum, China Mobile Hong Kong paid US\$66.7 million and Genius Brand US\$64 million. Under the terms of licenses, the winners are required to provide a minimum coverage of 50% of population within five years. The 15-year licenses are technology neutral, but the three winners are expected to deploy LTE technology, industry players said. OFTA was selling 195 MHz of frequencies in the 2.3GHz and 2.5-2.6GHz bands, but only 90 MHz of spectrum in the 2.5-2.6GHz bands were sold. No bids were received for the Wimax-compatible 2.3GHz band. Two other

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



Week of 19 January 2009 - 25 January 2009

bidders, broadband ISP Hong Kong Broadband Networks and mobile operator SmarTone-Vodafone, withdrew at the final stage. SmarTone-Vodafone CEO Douglas Li said the company left the BWA auction at HK\$453 million as that went beyond the maximum bid price the company set.

## Singapore/Malaysia/Philippines/Indonesia/India

### *Telecommunications*

- **Bahrain Telecommunications Co. will enter India's mobile communications market in 2009 and has agreed to purchase a shareholding in Indian mobile operator S Tel for US\$225 million.** Batelco partnered with Millennium Private Equity will form Batelco Millennium India Company Limited (BMICL) to purchase the shares in S Tel. India is the third largest and fastest growing mobile market in the world and mobile penetration is currently growing at nine to 10 million subscribers a month. S Tel is licensed to operate in six Indian states - Bihar, Orissa, Jammu and Kashmir, Himachal Pradesh, North East and Assam. Finalization of the purchase is subject to preconditions but full completion is expected by end of the first quarter in 2009.
- **India risks falling behind other emerging economies unless it takes urgent steps to boost the level of internet adoption.** Limited internet access will render India uncompetitive against countries such as China, Korea and Indonesia, warns the report, which was conducted by Vodafone and the Indian Council for Research on International Economic Relations (ICRIER). India has less than 5 percent internet penetration and only 0.4 percent broadband penetration. Internet is almost non-existent in states such as Bihar and Assam, he added. The country has 32 million wireless internet subscribers, and 11 million fixed-line internet subscribers. India's mobile market is performing far more strongly, with India's operators attracting a combined 10 million new mobile subscribers per month. Yet tele-density remains at a mere 32 percent.
- **Fujitsu and partner Norddeutsche Seekabelwerke have won a US\$100 million contract to install the first direct submarine cable systems to five Indonesian Islands.** The JaKa2LaDeMa ring will connect to the islands of Kalimantan, Sulawesi, Java, Bali and Lombok. It is scheduled for completion in early 2010. Under the arrangement, Fujitsu will provide terminal equipment, repeaters, branching units system integration and associated services, while NSW will provide repeatered cables and conduct surveying and marine installation.
- **Qatar Telecom will start two concurrent tender offers in Indonesia and the U.S. for a 24.19 percent stake in PT Indonesia Satellite Corp.** QTel is offering to purchase up to 1.314 billion shares, including Series B underlying American Depositary Shares of Indosat, which is listed on both the Indonesian Stock Exchange and the New York Stock Exchange. QTel bought a 40.81 percent stake in Indosat in June of last year. The Indonesian government has allowed the Qatari company to own up to a 65 percent stake in Indosat.

### *Information Technology*

- **Wipro Ltd. said profit growth slowed for a seventh straight quarter, missing estimates, as customers reduced technology spending amid the global recession.** Third-quarter net income rose 8.7 percent to 9 billion rupees (US\$183 million) in the three months ended December 31, 2008. Chairman Azim Premji is under pressure to cut prices as the deepening global recession hurts customers from Cisco Systems Inc. to Citigroup Inc. Premji may also find it harder to win orders overseas after a US\$1 billion fraud at Satyam Computer Services Ltd. and Wipro's disclosure of a World Bank ban on contracts to the company threaten to tarnish the image of India's software

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



Week of 19 January 2009 - 25 January 2009

makers. Third-quarter sales advanced 25 percent, the slowest pace in at least 23 quarters. Wipro forecast global sales of US\$1.05 billion at its information-technology services business in the fourth quarter.

- **Two potential buyers, Essar and L&T, have expressed an interest in buying all or part of Satyam. Both companies already have interest in Satyam.** While L&T has recently bought a little over four per cent stake in the company, the engineering major is also into IT business through L&T Infotech. The Ruias-promoted Essar is also in IT-related business through its outsourcing firm, Aegis. According to sources, Essar has submitted a proposal by way of expression of interest (EoI) in Satyam's BPO business.

## United States/Canada

### *Mobile/Wireless*

- **Goldman Sachs raised its rating on mobile-phone maker Motorola Inc. to conviction buy from neutral, saying it sees 50 percent upside to its new 12-month US\$7 price target.** The current valuation credits the company only for the announced cost savings, but not for any meaningful turnaround in its handset division. Given the aggressive cost-cutting, Goldman expects the market to start pricing in the more likely scenario that handsets will approach break-even in 2010, thus erasing the negative US\$5 billion handset valuation embedded in the stock.
- **Apple has reported its strongest quarterly result ever driven by strong sales records of iPhone.** The company posted revenue of US\$10.17 billion for the quarter ending in December, up from US\$9.6 billion in 2007. Net profit soared to from US\$1.58 billion to US\$1.61 billion over the same period. Apple sold 4.3 million iPhones during the quarter, which represents an 88% year-on-year growth. The 3G iPhone is selling better than the original 2G version, shipping 11.2 million units in the first six months of its lifespan, Apple said. The company beat its own forecasts of revenue between US\$9 – US\$10 billion. Apple is projecting revenue of between US\$7.6 billion and US\$8 billion for this quarter.

### *Telecommunications*

- **Microsoft Corp. sold its 7.26 percent stake in Comcast Corp.** Microsoft no longer held any Class A shares in Comcast which would have been worth some US\$3.4 billion. In 1997, Microsoft invested US\$1 billion in Comcast to enhance the cable company's deployment of high-speed data and video services via cable delivery network.
- **U.S. telecommunications companies are expected to post mixed fourth-quarter results as wireless divisions perform well, but the wireline business continues to decline.** The global economic downturn has sped up companies' moves to cut costs in their declining landline businesses. Telecoms will continue to struggle to hang on to their wireline customers this year as more people turn to using wireless devices or to cable companies, although it noted that diverse companies such as Verizon Communications Inc. and AT&T Inc. have more than offset wireline losses through the growth of their wireless segments. Telecommunications companies were once thought to be somewhat insulated from the broad economic environment because of the importance of communication.
- **AT&T will cut about 12,000 jobs, or 4 percent of its work force, through the end of the year and expects a fourth-quarter severance-related charge of about US\$600 million.** The company will add jobs at its wireless, video and broadband segments, to meet customer demand.

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



Week of 19 January 2009 - 25 January 2009

- **Sprint and Clearwire Corp. recently completed a deal to combine their next-generation wireless Internet operations.** But subscribers numbers for Sprint's core operations continues to fall. Chief Executive Dan Hesse assured investors in the last quarter that this condition has stabilized, but another loss of a million subscribers may be in the cards.

## *Internet*

- **The inauguration of US president Barack Obama generated record levels of web and mobile network traffic.** Content delivery leader Akamai, which provided web streaming for sites such as the NY Times and the Wall Street Journal, said it saw its heaviest demand ever for internet video. At its peak it was delivering over 7 million active simultaneous streams, the majority of which were live streams, compared with typical traffic load of less than 1 million. Akamai's web analytics also determined that over 5.4 million visitors per minute were looking for news about the inauguration. Facebook recorded an average of 4,000 status updates per minute of broadcast, with 8,500 status updates the minute Obama took office, and 1.5 million updates for the entire day, the Washington Post said. CNN alone delivered video streams to nearly 27 million people on Tuesday, the broadcaster said.
- **Google Inc. will follow news of its first-ever round of layoffs with a fiscal fourth-quarter earnings.** While Google is expected to manage a slight gain in profit, and acted to squeeze more revenue out of its online properties, the grim economic atmosphere during the final weeks of 2008 make the company's results difficult to predict. Google has mostly been seen as more resilient to the downturn than many other technology companies. Google will report earnings excluding special items of US\$4.96 a share for the period ended in December, and US\$4.1 billion in net revenue. The 100 layoffs are an unwanted landmark for Google, a company better known for hiring aggressively to match its explosive growth. The layoffs have suggested to some that estimates for Google's quarter may be too high. Google itself does not offer any internal guidance to Wall Street.

## *Hardware*

- **Internet security provider VeriSign Inc. agreed to acquire Certicom Corp, just days after Blackberry maker Research in Motion withdrew its hostile offer for the software company.** VeriSign will either pay about C\$92 million (US\$73 million), or C\$50 million (US\$40.5 million) net of Certicom's existing cash and short-term marketable securities. The C\$2.10 (US\$1.710) a share offer represents a premium of about 26 percent over the C\$1.67 (US\$1.35) closing price. Research in Motion withdrew its C\$66 million (US\$53.6 million) hostile takeover offer for Certicom after an Superior Court granted Certicom's request for an injunction. RIM argued that the injunction meant the conditions of the offer could no longer be met.

## *Semiconductors*

- **Qualcomm Inc. is building a competitor to Intel Corp. in the crucial market for smartphone and netbook chips.** The company's decision to buy the hand-held operations of PC chip maker Advanced Micro Devices Inc. represents another building block for Qualcomm's mobile computing aspirations. The company sees the area as an opportunity especially in mobile computers. Qualcomm has an established position with smartphones, but wants to move up to ultra-mobile PCs, also known as netbooks. They represent a nascent but growing business dominated by Intel and its Atom processor. With Intel looking to eventually move down to high-end smartphones, the two companies are poised to collide down the line. The AMD assets will likely feed into SnapDragon, Qualcomm's chip that incorporates a processor and wireless connection.



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



Week of 19 January 2009 - 25 January 2009

## *Technology*

- **Qualcomm acquired graphics and multimedia technology assets, intellectual property and resources from AMD.** AMD will get \$65 million in cash. Qualcomm expects the acquisition to be approximately 2 cents dilutive to pro forma earnings per share in fiscal 2009 and accretive to earnings by the second half of calendar year 2010. AMD said the deal does not include the AMD Imageon processor products, the Imageon brand, or any existing Imageon customer commitments. AMD Imageon products, including the A250 application processor and the M180 media processor, for the remaining lifecycle of these products.

## **Europe**

### *Mobile/ Wireless*

- **Ericsson AB will deepen cost reductions and eliminate about 5,000 more jobs in anticipation of spending cuts by telecommunications companies.** Moving some operations to low- cost countries and eliminating temporary workers, will cost 6 billion kronor (US\$717 million) to 7 billion kronor (US\$848 million) and lead to annual savings of 10 billion kronor (US\$1.2 billion) by the second half of 2010. The company will lower its dividend after profit fell in 2008. Ericsson surged as much as 13 percent. Fourth-quarter net income fell 31 percent. The company wished-for a dividend of 1.85 kronor (US\$0.22) for 2008. Sales advanced 23 percent. Sony Ericsson Mobile Communication Ltd. reported a net loss of 187 million euros (US\$245 million) in the quarter. Sony Ericsson is removing 2,000 jobs globally.
- **T-Mobile plans to launch HTC's Android-powered G1 handset in continental Europe from the end of January.** The operator will offer the device in Germany, Austria, the Czech Republic, Poland and the Netherlands, with prices in Germany starting from 1 euro (US\$1.3) on a 24-month contract. The G1 is only available in the U.K. and the U.S. T-Mobile has not released sales figures for the phone; however the company would sell 400,000 units in the U.S. alone before the end of the fourth quarter of 2008.
- **Complex set-up issues are stifling the uptake and usage of new mobile applications and services.** The survey of 4,000 U.K. and U.S. consumers concluded that 95 percent of mobile users would use more data services if set-up were easier. Over-complication is also preventing 45 percent of people from upgrading to a more sophisticated handset. 78 percent of respondents said they would change their handsets more regularly if the set-up process was less painful. 65 percent of respondents felt mobile operators are losing out as a result of this complexity. Vendors are not being helped by lengthy replacement cycles as more consumers find themselves tied to longer-term contracts of up to 24 months.

### *Internet*

- **Tiscali SpA, the Italian Web company that put itself up for sale, dropped as much as 12 percent in Milan trading after newspaper MF said it may cut as many as 250 jobs at its Italian unit.** Tiscali has declined 31 percent this year, the fourth-worst performer on the Milan all-share Mibtel index. Tiscali wants to reduce its operating costs by 16 million euros (US\$20.7 million) and the job cuts will contribute to that plan. The company, which has about 850 staff at the Italian business, is scheduled to meet with unions. Tiscali was suspending its Web-based television services in Italy in a revision of strategy. Tiscali planned to unveil a new business plan in the first weeks of 2009, which would include information to give visibility as to the future of the U.K. unit.

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Week of 19 January 2009 - 25 January 2009

## *Telecommunications*

- **BT Group warned it would take charges of 340 million pounds (US\$471 million) at its Global Services unit for the quarter to end-December that would outweigh better-than-expected results at the rest of the group.** The unit had been a strong driver of growth in recent years and BT said the problems were linked to operational failures, not the wider financial turmoil. BT said it forecast revenue growth of 15 percent at Global Services in the third quarter due to favourable foreign exchange movements and acquisitions. However underlying EBITDA is expected to drop to 17 million pounds in the quarter ending Dec. 31 due to the insufficient delivery of cost savings and the continued decline in the higher margin UK business. BT said group EBITDA, including BT Retail, BT Wholesale and Openreach, is seen 5 percent higher in the third quarter than last year.
- **Maroc Telecom posted a 7.2 percent increase in group revenues for 2008 because of a strong performance from its domestic mobile operations.** The operator, which is controlled by French media group Vivendi, posted full-year consolidated revenues of 29.5 billion dirhams (US\$3.4 billion), while fourth-quarter revenues came up at 3.9 percent. Maroc Telecom generates the bulk of its revenues through its Moroccan operations. Maroc Telecom's mobile customer base reached was up at 8.5 percent on-year. Churn rose to a hefty 34.9 percent, something the company attributed to rapid customer growth in 2007. The Moroccan incumbent admitted that its average monthly invoice in the fixed-line space fell by 1.2 percent last year, but revenues were up slightly at 9.7 billion dirhams (US\$1.1 billion) because of the internet growth. The biggest contributor to group revenues outside of Morocco was Onatel in Burkina Faso, which notched up sales of 1.5 billion dirhams (US\$172 million) last year. While the operator's customer base grew, its revenue was impacted by a drop in consumption as the cost of living rose.

## *Semiconductor*

- **Price cuts have been applied to many Core 2 Duo, Core 2 Quad, Pentium, Celeron and Xeon chips, as Intel gears up to compete with rival AMD.** Intel cut the prices of many of its mainstream processors, with some of the cuts lopping off as much as 48 percent. The prices of five different versions of the Intel Core 2 Quad processor were cut by as much as 40 percent, with the 3GHz Q9850 dropping from US\$530 to US\$316. Meanwhile the 2.33GHz Q8200 dropped in price by 16 percent, from US\$193 to US\$163. The Pentium Dual Core processor line also saw price cuts, with the 2.5GHz E5200 chipset having a cut of 24 percent from US\$84 to US\$64. Mobile Celeron processors saw the biggest single fall, with the 2.26GHz Celeron 570 dropping by 48 percent from US\$134 to US\$70. Four other chips in the range had smaller but still substantial cuts, ranging from 19 percent to 35 percent. Intel's price cuts had been expected because of last year's introduction of AMD's Phenom II and Shanghai processors, which have been gaining ground against Intel's processors in the gaming market and the mainstream systems market.

## *Software*

- **Autonomy Corp. said fourth-quarter profit more than doubled, boosted by sales to banks. Net income rose to a record US\$51.4 million.** Analysts forecasted profit of US\$42.8 million. New U.S. regulations and lawsuits in the wake of the financial crisis are driving demand for its database-search software. Revenue increased 26 percent to US\$145.4 million. Lynch would have a hard time to find acquisition targets as the company wants to remain a pure software provider and not expand into related services.



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Week of 19 January 2009 - 25 January 2009

## Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 1/22/09)	% Change 1 Week Ago	% Change Month to Date	% Change 1/1/2009	% Change 1/1/2008
Japanese yen	¥/US\$	88.8100	-2.1%	-2.0%	-3.7%	-21.1%
Hong Kong dollar	HK\$/ US\$	7.7550	-0.03%	0.1%	0.1%	-0.6%
Chinese renmenbi	RMB/ US\$	6.8392	0.03%	0.2%	0.2%	-6.4%
Singapore dollar	S\$/ US\$	1.5019	0.9%	5.0%	2.8%	3.9%
South Korean won	KRW/ US\$	1,390.8000	2.9%	10.2%	5.6%	48.6%
New Taiwan dollar	NT\$/ US\$	33.6800	1.0%	2.8%	2.8%	3.6%
Australian dollar	US\$/A\$	0.6551	-2.6%	-7.4%	-7.8%	-25.1%
New Zealand dollar	US\$/NZ\$	0.5305	-3.0%	-9.1%	-9.3%	-31.5%
Philippine peso	PHP/ US\$	47.2800	0.5%	-0.3%	0.2%	14.8%
Euro	US\$/€	1.2972	-2.2%	-7.2%	-6.5%	-11.8%
British pound	US\$/£	1.3792	-6.5%	-5.7%	-5.0%	-30.8%

## Fixed Income Prices and Yields

Note	Currency	Current (on 1/22/09)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	121.97	3.35%	131.11	2.94%	133.73	2.81%
Japan 30-year	¥	109.79	1.97%	109.49	1.99%	113.07	1.73%
Hong Kong 10-year	HK\$	101.20	1.49%	100.57	1.55%	102.60	1.34%
China (06/16)	US\$	111.49	2.97%	112.24	2.90%	108.35	3.41%
Singapore 10-year	S\$	118.25	1.92%	117.70	1.98%	116.18	2.14%
South Korea 20-year	KRW	10,969.16	4.94%	10,950.32	4.95%	9,470.89	5.98%
Australia 15-year	A\$	109.41	4.10%	116.69	4.02%	134.00	2.79%
New Zealand (12/17)	NZ\$	112.43	4.35%	111.01	4.54%	108.49	4.82%
Philippines 20-year	PHP	87.96	11.30%	89.83	11.04%	88.20	10.97%
India 30-year	INR	114.95	7.21%	116.65	7.08%	126.83	6.27%
UK 30-year	£	101.57	4.71%	110.49	4.12%	118.05	3.74%
Germany 30-year	€	102.12	4.16%	107.89	3.77%	113.35	3.53%

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