

IRG WMR



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

Week of 20 July 2009 - 26 July 2009

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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 (7/24/2009)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2008	% Change 12/31/2007
S&P 500	979.26	4.1%	9.4%	8.4%	-33.3%
Dow Jones Industrial Avg.	9,093.24	4.0%	9.3%	3.6%	-31.4%
Dow Jones Tech. Index	343.21	3.3%	12.4%	36.5%	-25.3%
Dow Jones Telecom. Index	199.98	4.1%	6.4%	0.1%	-36.2%
NASDAQ Composite	1,965.96	4.2%	11.4%	24.7%	-25.9%
Japan Nikkei 225	9,944.55	5.8%	4.1%	12.2%	-36.5%
JASDAQ	49.28	2.4%	4.9%	2.2%	-31.7%
Japan Mothers	457.12	5.5%	6.7%	41.3%	-41.6%
Korea KOSPI Composite	1,502.59	4.3%	10.4%	33.6%	-20.8%
Korea Kosdaq	500.02	2.9%	0.4%	50.6%	50.6%
Taiwan Stock Exchange	6,973.28	1.8%	12.5%	51.9%	-18.0%
Singapore Straight Times	2,576.91	4.2%	12.8%	46.3%	-25.6%
Hong Kong Hang Seng	19,982.79	6.3%	13.9%	38.9%	-28.2%
Hong Kong GEM	622.00	4.4%	11.3%	61.4%	-53.9%
China Shanghai (A-Share)	3,540.74	5.7%	16.6%	85.2%	-35.9%
China Shenzhen (A-Share)	1,161.76	1.9%	18.1%	99.8%	-23.6%
China Shanghai (B-Share)	211.49	2.6%	15.8%	90.7%	-42.2%
China Shenzhen (B-Share)	544.77	1.8%	15.2%	100.8%	-23.2%

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

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
N/A						

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

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
N/A						

Asian Markets: TMT and Life Sciences Convertibles						
Issuance Date	Issuer [Equity Ticker]	Description of Issuer	Maturity Date	Size (US\$MM)	Per US\$10,000 converts to	Convertible Until
N/A						

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Weekly Highlights

International

Internet

- **Forrester Research projected that the Internet population will hit 2.2 billion people by 2013. Of that tally, 43 percent of the Internet population will be in Asia.** Forrester paints a picture of Internet growth in emerging markets and stagnation in the developing world. 17 percent of the online population will reside in China. Growth rates in the U.S., Western Europe and other industrialized nations will be between 1 percent and 3 percent. Online penetration in the U.S. will rise to 82 percent in 2013, up from 73 percent. That rate will put it on par with other Internet saturated countries. • Russia and Turkey growth will grow 8 percent a year. Africa and the Middle East will show strong growth to hit 13 percent of the online population in 2013.

Hardware

- **PC shipments in the Asia Pacific region, excluding Japan, grew 8 percent in the second quarter, the first year-on-year rise in three quarters, to reach 19.9 million units, IDC said.** Portable personal computers were a major growth driver, particularly in Southeast Asia, and that China's Lenovo remained the region's leader with an 18.5 percent market share in the second quarter, trailed by Hewlett-Packard with 16.2 percent, Dell, and Acer. Second-quarter PC shipments in the Asia Pacific region also rose 19 percent from the previous three months and were 6 percent ahead of its forecasts. Worldwide PC shipments fell about 3 percent from the year-ago quarter, which was better than its forecast of a more than 6 percent drop.
- **It is predicted that the shortage in supply of glass substrate, the key parts in LCD panel market, will continue until 3Q 2009.** LCD panel makers in Taiwan that are having difficulty more than the U.S. in supply of glass substrate will continue to become reason for shortage during the second half of this year. Samsung Corning Precision Glass is still dominating the world LCD glass substrate. The demand for LCD glass substrate in 2Q 2009 surged 26 percent from previous quarter to 18.95 million but supply was only 12 percent increase. As a result, supply excess dropped to 0.6 percent range worldwide. Display Search prospected 5 percent originally, and actual figure is far below than that.

Telecommunications

- **According to the latest report from Pyramid Research, China's telecoms market is expected to outpace Japan's by 2011 taking the top position in Asia.** The Chinese market is expected to generate US\$187 billion by 2014. Given the continued demand for connectivity and rising adoption of mobile and fixed broadband services, the Chinese market should increase at a compounded annual growth rate of 8.8 percent between 2009 and 2014. The report stated that China, like many emerging markets, is becoming an increasingly mobile market, adding 71.2 million mobile subscriptions in 2008, roughly 12 percent of all additions worldwide and second only to India's 113.3 million net additions. Mobile service revenue growth will be supported by a penetration increase from 58 percent at year-end 2009 to 80 percent at year-end 2014. Pyramid expects mobile services to account for more than 76 percent of total services revenue in China by 2014. According to the study, the mobile industry will experience healthy growth in 2009 despite the declining rate of growth in the economy. This may be due to the roll out of 3G networks and extended coverage to rural areas.

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- **New research published has revealed that global mobile broadband subscriptions grew 93 percent year-on-year to reach 225 million at the end of March 2009.** In its new report the analyst firm also said that the growth in usage of non-voice services has boosted worldwide data revenues during the first quarter of 2009 by 8.5 percent on-year, to reach US\$46.5 billion. Although Asia-Pacific leads the way when it comes to the popularity of mobile broadband with 90 million subscribers, Latin America recorded the highest year-on-year growth of 385 percent to reach 10 million users. Many of these markets suffer from limited fixed broadband access, and Informa said mobile operators are taking advantage of this situation by using recently-deployed 3G networks to connect consumers to the Internet for the first time.
- **According to Ovum, the global economic decline has reduced service provider switching and routing spend as the market sees postponement of strategic IP transformation projects.** Service providers are also delaying short-term investment to shore up financial results- pushing operators to run IP networks hotter. The switching and routing market fell 20 percent in Q109 compared with Q108 and will likely continue to decline. However, carriers continue to report robust IP traffic growth. Cisco's recent Visual Networking Index predicts IP traffic will increase fivefold from 2008-13, with the largest growth segment being consumer Internet. Service providers typically run networks at 40-50 percent utilization, which may be pushed further to 60-70 percent loading without incident, but once average loading reaches 80 percent capacity upgrades are needed to ensure high availability.

Investments/ Ventures

- **Money from VCs to start-ups and IPOs sunk to US\$3.7 billion in the second quarter, a drop of 51 percent from US\$7.5 billion in the year-ago quarter.** This marks the lowest ongoing level of venture capital funding over the past 12 years. Although VC spending rose slightly from the first quarter's US\$3.2 billion, the ongoing decline marked the first time since 1997 that venture capitalists spent less than US\$7 billion during the first half of a year. The tough economy has limited the ability of start-ups to fund IPOs, which in turn has made it harder for venture capitalists to profit from their investments. Among business segments, biotechnology scored the most venture capital at US\$888 million, though that represented a 16 percent decline from the year-ago quarter. VCs tend to like the biotech sector because large drug companies are always looking to buy start-ups creating promising new drugs.

Japan

Hardware

- **Toshiba may finally be launching its own Blu-ray player.** Toshiba, which lost the HD DVD vs. Blu-ray battle in early 2008, is reportedly readying a player that will read both Blu-ray discs and DVDs and will appear in stores by year's end. Toshiba had been thinking of developing yet another technology to combat Blu-ray but gave up because of the huge growing market for Blu-ray players and discs. The company will start with play-only models but may consider a recordable Blu-ray player if market demand calls for it, according to local newspaper. Toshiba's entry into the Blu-ray arena would mark the last holdout among all the major electronics manufacturers.
- **Fujitsu Ltd. said it is targeting record profit in the 12 months ending March 31, 2012, as spending on software and information-technology infrastructure recovers.** Net income will probably be 130 billion yen (US\$1.38 billion) for the fiscal period while operating profit may reach a

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record 250 billion yen (US\$2.6 billion) on sales projected at 5 trillion yen (US\$52.7 billion). The company, which forecasts a return to profit this fiscal year, is selling its money-losing hard-disk-drive business to Toshiba to focus on semiconductor and software operations. Fujitsu also plans to outsource some chip production to Taiwan Semiconductor Manufacturing Co. (TSMC) to cut spending and help make the unit profitable next year.

- **Consolidated sales for the April-June quarter by Japan's Disco Corp. dropped 48 percent on the year to 9.2 billion yen (US\$98.3 million) but the figure represents a 42 percent increase from the January-March quarter.** Sales of machinery for cutting and grinding semiconductor silicon wafers have been sluggish as customers hold back on capital investment. But sales of expendable supplies grew in line with higher operating rates at chip-making facilities around the world. The company also said that its parent-only sales for the quarter tumbled 52 percent on the year to 6.8 billion yen. It reported a net loss of 900 million yen.
- **Sony Corp. will break down its earnings results in new categories to reflect changes made in April to its organizational structure.** Its electronics business was consolidated into the Consumer Products & Devices Group, which also consists of LCD televisions, digital cameras and semiconductors. Its game business is now part of the Network Products & Services Group, which also includes personal computers and portable music players. Music entertainment and business-to-business operations are now independent segments. The motion pictures and financial services segments will remain the same. The reorganized business segments will be reflected in the firm's April-June results. Dividing the earnings results into new categories may help investors better understand Sony's business, but it will make comparisons with past performances difficult.

Semiconductor

- **Elpida Memory Inc. is reacting calmly to the Taiwanese government's announcement of a change in its DRAM rescue plan, as the company recently secured a total of 140 billion yen (US\$1.5 billion) in financial assistance from the Development Bank of Japan and others.** Receiving rescue funds from Taiwan was seen as crucial for Elpida's survival amid a severe slump in the DRAM market. The Taiwanese government's previous rescue plan centered around a tie-up between Elpida and TMC, a public-private DRAM joint venture to be established under the lead of the Taiwanese government. Under the old plan, Elpida was to provide cutting-edge DRAM technology for use by Taiwanese companies, and the Elpida-TMC alliance was to receive publicly funded financial assistance. But the government there now plans to provide funds to up to two recipients and accept applications from domestic DRAM makers. The Elpida-TMC alliance is still in the running for these funds, but will likely have to wait longer and may get less because of the additional recipient.

Telecommunications

- **NTT DoCoMo Inc's group operating profit likely fell 16 percent to about 250 billion yen (US\$2.68 billion) in the April-June quarter as the year-earlier boost from reduced sales costs wore off.** Quarterly sales likely dropped 2 percent to around 1.15 trillion yen (US\$12.1 billion) and handset unit sales may have dropped adding that average revenue per user also appears to have fallen. However, DoCoMo added a net 112,400 contracts in June alone just 500 fewer than Softbank Corp. For the full year ending next March, DoCoMo is expected to maintain its forecast of a 1 percent drop in sales to 4.38 trillion yen (US\$46.2 billion) and a nearly flat operating profit of 830 billion yen (US\$4 billion).

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- **The Nikkei English News reported that NTT Data Corporation is planning to acquire BNI Systems Corp., the parent of Wuxi Huaxia Computer Technology Co., Ltd.** NTT is a provider of system integration, networking system services, and related services, while Wuxi Huaxia is a China-based software development company. BNI had revenues of approximately 700 million yen (US\$7.5 million) for the year ended July 2008.
- **KDDI Corp. said its net profit for the first quarter ended June rose 19 percent from a year earlier, as cost-reduction efforts offset sluggish revenue.** KDDI posted a net profit of 86.4 billion yen (US\$912 million) in the three months ended June 30. Revenue fell 1.9 percent in the April-June quarter. Average monthly revenue per user fell to 5,600 yen (US\$59.00) in the first quarter from 5,900 yen (US\$62.24) a year earlier. The operator of “au” brand mobile phone services succeeded in reducing operating costs, partly by spending less on handset sales promotions.

Korea

Semiconductors

- **Samsung SDI Co. said that its net profit rose 17 percent in the second quarter of this year from a year earlier mainly due to increased income from equity investment.** Net income came to 58 billion won (US\$46.4 million) in the April-June period, compared with 49.6 billion won (US\$39.8 million) a year ago. Sales fell 6 percent on-year to 1.2 trillion won (US\$955 million) during the same period on the back of a rise in overseas orders and operating profit increase 33 percent from a year ago. Samsung SDI attributed the rise to earnings from its stake in a joint venture with Samsung Electronics Co.
- **Pixelplus Co., Ltd., announced unaudited financial results for the first quarter of fiscal 2009 ended on March 31, 2009 with revenue of 3.5 billion won (US\$2.6 million), compared to 4.5 billion won (US\$3.3 million) in the fourth quarter of fiscal 2008, and 3.4 billion won (US\$2.5 million) in the first quarter of fiscal 2008.** The Company's lower-than-expected revenue was primarily due to the seasonality of sluggish sales in Asia typically exhibited annually in the first quarter, and weaker-than-anticipated sales to Chinese distributors and module makers. Pixelplus is a fabless semiconductor company in Korea that designs, develops, and markets CMOS image sensors for various consumer electronics applications,

Hardware

- **South Korean TV makers claimed the largest market share of the global TV market during the first three months this year, widening their lead over Japanese and Chinese competitors.** South Korea's Samsung Electronics Co. and LG Electronics Co. together gained a market share of 33.4 percent in the first quarter of 2009. They had a large margin over the 23.3 percent held by Japanese TV makers Sony Corp., Sharp Corp., Panasonic Corp. During the same period last year, South Korean makers held a 29.0 percent market share, while Japanese counterparts followed with 20.3 percent. Samsung Electronics and LG Electronics also beat out Chinese TV makers TCL Corp., Skyworth Digital Holdings Co. and Hisense Electric Co. East Asia-based TV makers grabbed a 69.1 percent market share in total for the quarter. The Netherlands' Philips Electronics N.V., with 4.1 percent market share, was the only company not from East Asia to make it into the world's top 10 TV makers.
- **LG Electronics Inc. reported record quarterly profit, fueled by demand for flat-panels TVs, and forecast higher sales in the current period.** Second-quarter net income climbed 62 percent to 1.15 trillion won (US\$917 million), from 706.9 billion won (US\$567 million) a year earlier. Profit was

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almost 50 percent higher than the 770.7 billion won (US\$618.5 million) median estimate in a Bloomberg survey of 17 analysts. LG Electronics plans to overtake Sony Corp. in terms of LCD TV shipments this year by offering wireless and energy-saving models. The uncertainty in the global economy will continue in the current period.

- **Samsung Electronics would invest 5.4 trillion won (US\$4.3 billion) in green research and development and facilities to make the company eco-friendly by 2013.** Of the total, 3.1 trillion won (US\$2 billion) will be spent to develop products which cause less damage to the environment, and the remainder on energy-saving technologies and the environmental improvement of manufacturing facilities. Samsung Electronics did not detail how it would finance the initiatives but had around 5.3 trillion won (US\$4.2 billion) in cash and cash equivalent at end-March. Samsung's plan includes reducing greenhouse gas emissions from manufacturing facilities by 50 percent, cutting total indirect greenhouse gas emissions from all products by 84 million tons through 2013, and ensuring all of its products are more environmentally friendly by increasing energy efficiency through measures such as cutting standby power consumption.
- **Samsung Electronics is expected to invest at least 1 trillion won (US\$790 million) in a semiconductor production facility in the second half of 2009.** Kwon Oh-hyun, president of Samsung's semiconductor division, said at an industry event that Samsung expected its investment in the second half to rise slightly from the first half. The company has repeatedly declined to disclose the size of capital investments planned for this year or already made so far. The chip division investment in the second half would focus on introducing more advanced production technology, such as 40-nanometre circuitry for DRAM chips and 30-nanometre for NAND flash memory.
- **LG Chem Ltd. will spend 430 billion won (US\$341 million) to boost output of glass sheets for liquid crystal display (LCD) panels.** LG Chem announced the investment plan a day after it posted a 31.2 percent jump in second-quarter net profit. LG Chem, which supplies glass sheets to LCD makers, is benefiting from a shortage of the key parts as LCD makers such as Samsung Electronics and LG Display, are increasing prices of the flat panels on the back of strong demand for LCD televisions and computer screens in China.
- **The Korean presidential office announced on July 12 that Swedish telecom equipment vendor Ericsson is expected to invest in a joint project to develop 4G LTE (Long Term Evolution) technology, Reuters reported.** The Korean presidential office added that Ericsson's five-year investment project is estimated at a ballpark figure of US\$1.5 billion and is projected to increase Ericsson's staff in Korea to approximately 1,000 from 80 at present. After the announcement, Ericsson made clarifications to the Korea Communications Commission that the amount of its investment is still not fixed and that details of its investment plan are still being fleshed out and no definite scheme has been reached yet.

China

Internet

- **China's Internet users numbered 338 million at the end of June this year.** This translates to 40 million new regular Internet users in China in the first six months of this year. And there is still room for growth, given that Internet penetration stood at 25.5 percent at the end of June, up from 22.6 percent at the end of 2008. Mobile networks and devices play an important role in providing access to the Internet. 155 million people in China access the Internet via mobile. Although the spread of 3G

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networks and devices in the course of 2009 has helped drive mobile Internet take up, consumer enthusiasm is currently limited. A total of 65 percent of Internet users do not intend to use the mobile phone to access the Internet.

- **China small and medium businesses are expected to spend more on Internet access than on their websites and online advertising combined in 2009 including US\$3.7 billion on Internet access, US\$1.8 billion on online advertising, and US\$1.5 billion on website hosting, development and maintenance in 2009.** The reverse trend is observed in developed APAC countries like Australia, Japan, and Korea. Currently, there are approximately 3.2 million small and medium businesses in China. Of this, 1.3 million SMBs have at least one PC, and 93 percent are using broadband to access the Internet. This means more than 59% of China SMBs are without PC and Internet access. For China Internet access providers and PC vendors, this spells tremendous opportunities in terms of customer base and future growth.
- **Baidu Inc.'s second-quarter earnings rose 45 percent as the Chinese Internet company continued to post strong revenue growth and add advertisers.** The company also offered strong third-quarter revenue guidance of US\$184 million to US\$189 million, topping the US\$182 million expected by Wall Street. Baidu, which holds a commanding share of the Internet search market in China, warned earlier this year that its online marketing customers might scale back advertisements amid a weakening economy, but it has since kept the problem in check as the Chinese economy has rebounded.

Mobile/Wireless

- **China's sales of cell phones in the second quarter of this year topped 33.07 million units, down 7.2 percent quarter on quarter, but the proportion of 3G handsets was below one percent.** As sales promotion during the traditional Chinese New Year period of 2009 had satisfied consumers' demand for mobile phones in advance, China's cell phone entered slack season in April, and sales in branded handset market dropped. Statistics show that the sales of GSM handset in China declined sharply in the second quarter from January-March to 30.33 million units, representing a decrease of 7.5 percent on quarter. As China Telecom gradually cut the subsidy on 2G terminals, sales volume of CDMA cell phones, with the certification owned by the carrier alone, decreased again in April-June to 2.497 million units after two consecutive quarters' soar, dropping 12.7 percent from the previous quarter. Sales of 3G handsets topped 242,000 units in China during the second quarter of this year, including 131,000 units of CDMA EVDO standard and 64,000 units supporting TD-SCDMA standard. Telecom operators took actions to boost the 3G terminal industrial chain, and issued more reasonable pricing policies with higher subsidies.
- **KongZhong Corp. co-founder, president and chief technology officer (CTO) Nick Yang, has tendered his resignation effective July 31, 2008.** KongZhong also announced its appointment of educational service provider ChinaEdu Corporation and IPTV broadband solutions provider UTStarcom founder Charles Xue to the board of directors. Xue will replace Xiaolong Li, who resigned July 20 for personal reasons.

Telecommunications

- **China Unicom gained 862,000 new GSM cellular service subscribers, for June 2009, summing the total number to 140.38 million.** The company reported a decrease of 255,000 in local access subscribers, and was met by 980,000 new broadband subscribers. The total subscriber numbers in these two services amounted to 108.45 million and 34.91 million, respectively, by the end of June.

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- **It is expected that ZTE Corp. and Huawei Technologies Co. Ltd. will spend at least 500 million yuan (US\$73.18 million) replacing base stations provided by Datang Mobile Communications Equipment Co. Ltd. during China Mobile's first phase of TD-SCDMA network construction.** ZTE would replace 3,000 Datang Mobile-made TD-SCDMA base stations for China Mobile's Guangzhou subsidiary while Huawei would replace approximately 4,000 base stations originally deployed by Datang Mobile on behalf of Shanghai Mobile. Both privately-owned companies will undertake the task at no cost to China Mobile. Datang Mobile locked in 27.46 percent of the network equipment tender for first phase construction, while ZTE was the biggest winner, accounting for 45.54 percent of the total contract value. ZTE, Huawei and Datang Mobile also attained sizeable portions of China Mobile's second and third round network equipment tender.
- **China Telecom ended June with 49.05 million broadband customers after adding 810,000 new subscribers during the month.** In the year to date, China Telecom attracted 4.78 million new broadband customers. On the fixed voice market, the company shed 1.39 million customers to end the month with 199.36 million local access lines in service. China Telecom further added 2.37 million mobile customers to reach a total of 39.28 million. In the year to date, the company has gained 11.37 million mobile subscribers.
- **China's three carriers, China Mobile, China Unicom and China Telecom, injected more than 100 million yuan (US\$14.6 million) in online advertising for two consecutive months of May and June.** Their online ads expenses amounted to 198 billion yuan (US\$29 billion) in May, when it welcomed the World Telecommunications Day on May 17, and China Unicom started trial operation of WCDMA. China Unicom's online ads input reached 78.8 million yuan (US\$11.5 million) on that month. In the same period, the carriers paid large amount of money in TV advertising as well, shouldering into prime time of CCTV, China's leading television station. In June, their expenses on online advertising fell, but still stayed above 100 million yuan (US\$14.6 million) to 115 million yuan (US\$16.8 million).
- **An industrial insider has revealed that China's leading telecom equipment manufacturer ZTE Corp. has taken the lead in China Mobile's third phase TD-SCDMA equipment purchasing bid and thereby acquired a 34 percent market share.** Kang Zhiyi, an analyst with TX Investment Consulting, said the market had predicted that a 35 percent share would be won by ZTE, so the 34 percent share was in line with market expectation. Besides, the producer had respectively taken 46.78 percent and 28 percent shares in the bids during the first two rounds, and will now serve as China Mobile's largest TD equipment provider in terms of market share.
- **Commonwealth Bank of Australia (CBA) has raised its stake in China Communications Services (CCS) to 11.02 percent from the previous 10.95 percent.** Information from HKEx showed that CBA on July 13 bought around 1.52 million shares of CCS for HK\$7.04 million (US\$908 million) at an average share price of HK\$4.62 (US\$0.60) per share. Shares of China Communications Services, a subsidiary of China Telecom, edged up 0.64 percent.

Media, Entertainment and Gaming

- **China's mobile game market size hits 520 million yuan (US\$75.9 million) in the second quarter of this year, up 32.37 percent quarter on quarter.** Revenues from China Mobile's charges on information reached 230 million yuan (US\$33.6 million), increasing 21.3 percent quarter on quarter. China Mobile's quarterly growth rates of information fees in the first half of this year were over 20 percent, vs. the -0.06 percent average quarterly growth in 2008. It's new game operating platform contributed most of the growth in its information fees, which topped 67.9 million yuan (US\$9.9

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million) in the second quarter, accounting for 30 percent of the total, while the growth of the old one slackened continuously. Information charges earned from the new game platform will keep on growing, with enrichment of mobile games on the platform as well as increase of payable games.

- **The Chinese online gaming industry is expected to develop rapidly with sales income increasing 30-50 percent this year.** The sales this year were forecast to be 24-27 billion yuan (US\$3.51-3.95 billion), which would bring about 67 billion yuan (US\$9.8 billion) in income for telecommunications, IT and other related industries. The official made the remarks at a forum during the seventh session of the China Digital Entertainment Expo and Conference (ChinaJoy), the country's largest game convention. The online gaming industry showed great potential in independent research and development.
- **Electronic Arts and NetDragon Websoft announced a licensing agreement for the development of a new MMORPG based on "Ultima Online" from Electronic Arts.** As part of the agreement, NetDragon will develop the new Ultima Online(TM) in collaboration with EA's Mythic Entertainment, and have the exclusive operating license for China, Hong Kong, Macau and India.
- **The9 Limited has entered into an agreement with USERJOY Technology Co., Ltd., an online game developer in Taiwan, for an exclusive license to operate Kingdom Heroes 2 Online, a 3D MMORPG, in mainland China.** Kingdom Heroes 2 Online is a 3D Fantasy MMORPG which stresses on the core feature of Kingdom Wars that maintains a strong community in the game. Kingdom Wars allows hundreds of thousands gamers to fight in the same map. Gamers can bring soldiers and operate the huge siege engine such as catapult to conquer the city; even more, they can experience the exciting vessel battle on the sea. Kingdom Heroes 2 Online breaks through the original 2.5D side-scrolling restriction and evolves to the 3D characters and scenes. With seamless map, massive content upgrade and new battle mode, it is considered as a popular MMORPG product for our 2010 pipeline.
- **CDC Corp. business unit CDC Games estimates that second quarter 2009 revenue will increase by roughly 50 percent over the first quarter.** CDC Games recorded US\$6.3 million in revenue from continuing operations in the first quarter, down 27 percent year-on-year. The company attributed the increase to a rebound in metrics for licensed MMORPG Yulang after it launched version "Nan Lin Feng Yun" in late March 2009.

Hardware

- **Hewlett-Packard Co. inked a memorandum of understanding with the municipal government of Suzhou, a major city in Jiangsu Province, to build a software outsourcing service center in the city.** The outsourcing service center will provide HP's foreign and domestic clients in Suzhou with services such as consulting, design, development, testing, implementation and management. The two sides will first cooperate to build a data center and information management and service platform in the International Technology Park in Suzhou Industrial Park. They also plan to build a public logistics platform and a public information technology service platform for small and medium-sized enterprises in Suzhou.

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Semiconductor

- **Industry insiders estimate MediaTek Inc. to deliver a record 100 million sets of chips for mobile phones throughout the third quarter due to the revitalizing demands for counterfeit mobile phones and exports of the phones in mainland China.** They previously expected the No.1 supplier of mobile phone chipsets in the mainland to see shipments lose steam in light of slipping demands and exports of the phones in the Chinese mainland toward the end of the second quarter. Throughout last quarter it delivered a record 80 million sets. Beginning early this month, the mainland's demands and exports of the phones have instead picked up, clearing a huge number of the inventory backlogs of MediaTek MT6225 chips at phone makers. With the traditional September peak season for mobile phone sales in the mainland approaching, the mainland's handset makers are stepping up replenishments of inventories of MediaTek chipsets.

Taiwan

Mobile/ Wireless

- **HTC Corp. expects handset shipments this year to grow by a double digit percentage from 2008 and aims to maintain its gross margin at 30 percent.** The executive said he doesn't expect sales of smartphones to slow despite the global economic downturn. Smartphones are handsets that include wireless email, video and other fancy data functions, and are one of the few fast-growing sectors in the technology industry. HTC makes smartphones based on two major operating systems - Microsoft Corp.'s Windows, and Android, the system being championed by Google Inc. The executive aims to launch five handset models in China this year, and will also launch four new models in the U.S. under its own HTC brand in the second half ending Dec. 31.

Hardware

- **Acer Inc. shipped 8.431 million PCs in the second quarter of this year, surging by 23.7 percent from a year earlier as the highest growth among world's top-5 brands in the quarter, and successfully boosted its global market share to 12.7 percent.** IDC's latest report shows that HP shipped 13.09 million PCs to lead the global market for PCs with a 19.8 percent share in the second quarter, trailed by Dell, which posted PC shipment of 9.108 million units and a 13.7 percent share. In the meantime, Acer came third, while Lenovo and Toshiba ranked No.4 and No.5, respectively, with a global market share of 8.7 percent and 5.3 percent in the quarter. Acer, aiming at the rapidly growing segment for netbook PCs with its AspireOne, has narrowed the gap between its global market share and Dell's to only one percentage point in the quarter from 6.1 percentage points a year earlier. J.T. Wang, chairman of Acer, noted that the shining shipment performance has reinforced his firm's confidence of unseating Dell soon and challenging HP's top position next year.
- **Asustek Computer Inc. and its venture-capital arm have together bought a 4.27 percent stake in D-Link Corp. to become the second-largest shareholder in the latter.** Chief financial officer of Asustek said the stock-buying is an investment and his company would not increase its shareholding in D-Link temporarily to strive to win seats in the investment target's board, but maintain the possibility of future cooperation. Both Asus (Asustek's own-brand) and D-Link are among the top-10 Taiwanese brands. Asustek has been trying to find ideal investment targets since the global financial turmoil in late last year, because the investment market has deviated from the reasonable price levels. He admitted that his company thought there was room for cooperation between Asus and D-Link, but refused to comment on whether top managements of the two firms contacted each other.

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- **AU Optronics posted its third straight quarterly net loss, but the shortfall narrowed from the previous three months on recovering panel sales and prices.** Massive stimulus packages in China have boosted demand for personal computers and flat-screen TVs that require liquid crystal displays (LCDs), benefiting AU more than larger South Korean rivals Samsung Electronics and LG Display thanks to Taiwan's closer ties with the mainland. A supplier to top brands such as Dell, HP and Sony, AU booked a net loss of NT\$6.6 billion (US\$201 million) in April-June.

Semiconductor

- **Despite the market for commodity memory chips remaining lukewarm, Taiwan's DRAM chipmakers PowerChip Semiconductor Corp. (PSC) and Nanya Technology Co. received healthy contracts in the second quarter to make specialty memory chips for Elite Semiconductor Memory Technology Inc. and Etron Technology Inc.** Memory-chip design houses pointed out that the swarming orders seen in a traditionally slacken season proved that the market for built-to-order memory chips has picked up from its worst time. Industry watchers estimate demands for niche memory chips would likely trend upward throughout the second half this year in consideration of strong consumptions of mobile phones and LCD TVs. Brisk inventory buildups at customers have brought Elite and Etron hefty orders for niche memory chips, maintaining revenue growth at the two vendors at over 40 percent rate in the second quarter over a quarter earlier and driving up their revenues for June.

Hong Kong

Telecommunications

- **Li Tzar Kai Richard, chairman of PCCW Limited, has acquired additional 340,000 shares in the company, at HK\$1.99 apiece. The total consideration amounted to HK\$676,600 (US\$87,296).**

Internet

- **China Post E-Commerce (Holdings), a Hong Kong-based company formerly known as Intcera High Tech Group, has increased plans to establish its online operations on the mainland with support from the state-run postal service provider and strategic investor, China Post.** Chairman Joseph Lau Chi-yuen said the firm had been granted exclusive rights to use the direct mailing database of about 130 million Guangdong province residents for its direct marketing and e-commerce services. The Guangdong Postal Bureau, a subsidiary of China Post, owns 4.56 percent of the Growth Enterprise Market-listed e-commerce firm.

Singapore/Malaysia/Philippines/Indonesia/India

Telecommunications

- **Tata Consultancy Services Ltd. said Citigroup is helping lead a recovery in demand from financial clients, the Indian software-services company's biggest contributors to revenue.** Tata Consultancy surged to its highest in more than a year in Mumbai trading after a pay freeze and a cap on hiring helped the company beat earnings expectations July 17, joining nearest rival Infosys Technologies Ltd. Rising orders from financial services companies may help Indian outsourcers recover from the global recession that's forced companies to tighten their technology-spending

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budgets. Godwin Chellam, a Mumbai-based spokesman for Citigroup couldn't be reached on his office and mobile phones.

- **Essar Group has entered into exclusive talks for investing in the African telecommunications portfolio of United Arab Emirates-based investor consortium Dhabi Group.** The deal will involve an equity infusion into these businesses as growth capital and will be the basis of a partnership to create a significant presence in Africa. Essar Telecom Ltd. is the telecom venture of the diversified Essar Group, which also has business interests in steel, energy, power, shipping and logistics. Essar Telecom Kenya Holdings Ltd., a unit of Essar Telecom, operates as a mobile telecommunications services provider in Kenya under the brand name "yu".
- **The Indian government is looking to sell stakes in state-run Bharat Sanchar Nigam Ltd. and Telecommunications Consultants India Ltd.** BSNL provides telephony and Internet services in 20 of India's 22 telecom-service areas, while Telecommunications Consultant (TCIL) is a consultancy and engineering company. The federal government had planned to sell 10 percent of BSNL and list the company's shares last year, but had to defer the plan after opposition from a major workers' union and the stock-market meltdown. Rakesh K. Upadhyay, chairman and managing director of TCIL, said that a stake sale will be beneficial for his company. The government is in the process of selling its stake in Bharti Hexacom Ltd., which offers telephony services in six service areas. The government, through TCIL, holds 30 percent of Bharti Hexacom, while the unlisted company's remaining stake is with Bharti Airtel Ltd., India's largest mobile-services provider by subscribers.
- **India's Unitech Wireless Ltd., a unit of real estate major Unitech Ltd., will raise between US\$1.5 billion and US\$2.0 billion within a year to fund its telecom operations.** Unitech is in the process of selling a 67.25 percent stake in Unitech Wireless to Telenor ASA for around 61.2 billion rupees (US\$1.2 billion). Telenor now holds a 49 percent stake in Unitech Wireless.
- **India's Bharti Airtel Ltd. and South Africa's MTN Group Ltd. are on track to meet a July 31 deadline to sign a merger deal.** Bharti Airtel and MTN Group had in May revived talks over a complex US\$23 billion combination that would create one of the largest 10 companies in the mobile-telecommunications industry. Their merger talks last year had fallen apart as they couldn't reach an agreement on a management structure. The two had now agreed to hold exclusive talks until the end of July. The two companies are now working on due diligence and documentation. MTN is talking to banks in London for a loan of around US\$3 billion, while Bharti is talking to banks in Asia about financing its portion of the merger cost, they said, without disclosing the size of the loan Bharti is looking for.
- **Tata Communications may need to explore new funding avenues to keep its US\$2 billion capital expenditure program on track as there's not much room to increase its debt exposure.** However, with the government still holding 26 percent in the once-state-owned company earlier known as Videsh Sanchar Nigam, its options for raising non-debt funds are limited. According to analysts, the upcoming auctions for radio frequencies to offer wireless broadband services will ensure that Tata Communications' balance sheet stays stretched this fiscal. According to Merrill Lynch, given high likelihood of wireless-broadband auctions in 2009 and Tata Communications' likely participation, the potential equity dilution and further debt burden is a cause of concern.
- **BSNL has invited initial bids to set up four customer-care call centers for its wireless subscribers in northern India, a bid document on the company's Web site showed.** The state-run telecommunications company is likely to finalize the winning bidder by the end of August and the call center should be operational in four months from then, the document showed. The selected

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bidder will build and run the call center for an initial period of three years, and BSNL may then decide to extend the contract for another two years, on year-to-year basis.

- **PT Telekomunikasi Indonesia's second quarter net profit will be higher than the IDR2.46 trillion booked a quarter earlier.** The stronger rupiah has helped the company to book foreign exchange gains. The company is expected to report its second quarter earnings early next month.
- **Telecom Cambodia has inaugurated a new national fiber backbone that connects from the country's south western coast at Kampong Cham to the Laos border in the country's north.** The new link is the country's second major fiber backbone and will be interconnected to an existing fiber backbone linking Bavet on the Cambodia-Vietnam border via the capital Phnom Penh to Poipet on the Cambodia-Thai border. The new 650 kilometer link offers an initial capacity of 620 Mbps.
- **Singapore's planned next-generation broadband network (NBN) will offer different grades of service levels to downstream service providers, lowering the barrier to entry for such providers to sell high-availability connectivity to enterprises.** This competes directly with incumbents SingTel and StarHub, that already sell "Class A" tiered services to enterprises for use in bandwidth-hungry applications such as telepresence. The problem however is that there will be very limited room for new players to be able to come in and play a significant role in the marketplace, as there will be very limited differentiation they can make. A price war is unlikely to occur because of the number of providers jostling for space in Singapore's small market.
- **Axia NetMedia led a consortium that won a tender in Singapore in September to roll out fibre to 95 percent of Singapore's 1.4 million homes and businesses by 2012.** The Singapore government is providing a S\$750 million (US\$520.9 million) grant. Axia is investing S\$120-\$160 million (US\$83-111 million) of its own money.
- **Telstra Corp. may be forced to consider a split of its business after the Australian government flagged a preference for shareholders to take a direct stake in the A\$47 billion (US\$37.6 billion) national broadband network company.** Federal Communications Minister Stephen Conroy has said he believes it's sensible for Telstra to de-merge its copper network from the rest of its business, so that it would allow shareholders to own the fixed infrastructure as well as the retail company.
- **Australian Communications Minister Stephen Conroy said the chairman and board of its planned national broadband network company will soon be appointed, and said the government will be flexible on the structure of any equity investment from private companies in the new venture.** The Australian government in April said it would build a high speed, A\$43 billion (US\$35.1 billion) fiber-to-the-home broadband network, with investment from the private sector. On the issue of whether existing shareholders in Telstra would take a direct stake in the broadband network if Telstra spins off its broadband operations into the new company, Minister Conroy said the government will look at all ownership structures.
- **Thailand's TOT has approached rival operator AIS with a request to access some of its base station sites to help speed up the deployment of its 3G services.** The state-run operator plans to launch its 3G network initially in the capital Bangkok by the end of 2009 using 500 base stations at a cost of 1.7 billion baht (US\$50 billion). TOT plans to extend the service to the rest of the country using a further 3,800 base stations within the next two years, which will cost a further 20 billion baht (US\$588 billion). In return for providing access to its base stations, TOT has reportedly offered to help AIS to cover the cost of renting commercial space on which to deploy its own network

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equipment. AIS, which pays a concession to TOT in the form of a revenue-sharing agreement, is hoping to secure access to the 3G network once it goes live for the purposes of launching its own services.

- **DiGi.com Bhd. said its second quarter net profit fell 21 percent from a year earlier due to higher depreciation and amortization costs as well as finance costs.** The mobile phone service provider's net profit for the three months ended June 30 was 234.5 million ringgits (US\$66.3 million). Second quarter revenue rose to 1 percent on year, largely because of a steady increase in its subscriber base. On the Group's prospects, Digi will continue to focus strongly on operating cash-flow in 2009 and aims to achieve an operating cash-flow similar to or better than that of 2008.
- **Singapore Telecommunications said that it would be difficult to gain market share in the current economic environment.** The Company's CEO shares that people are more careful in their usage so the challenge is to make sure that the Company will be able to continue to gain market share.

Wireless/Mobile

- **Idea Cellular Ltd. posted a better-than-expected 13 percent rise in consolidated first-quarter net profit, helped by lower net finance and treasury charges.** The telecommunication-service provider's net profit for the April-June quarter rose to 2.97 billion rupees (US\$61.7 million). Consolidated net sales rose 37 percent as it added about 4.1 million users in the just-ended quarter. The average of estimates in a Dow Jones Newswires poll of 11 analysts was for a net profit of 2.65 billion rupees (US\$55.1 million). Net finance and treasury charges fell to 869 million rupees (US\$18.07 million). A cut in call-termination charges has hurt first-quarter revenue by 1.42 billion rupees (US\$29.5 million). The company ended the quarter with 47.1 million subscribers, including those of Spice Communications in which Idea had bought a 41 percent stake last July.
- **Total Access Communication PCL reported a 65 percent fall in its second-quarter net profit due mainly to the absence of non-recurring gains.** During April to June, the company posted a net profit of 1.37 billion baht (US\$40.3 million). The company's operating profit fell to 2.14 billion baht (US\$62.9 million). In the second quarter of last year, the company recorded a one-time gain of 2.4 billion baht (US\$70.6 million) from an out-of-court settlement with Digital Phone, a unit of Advanced Info Service PCL, over the usage of Total Access's telecommunication network.
- **Bharti Airtel Ltd. reported first-quarter profit rose 24 percent, beating analysts' estimates, after adding more than 8 million subscribers.** Net income rose to 25.2 billion rupees (US\$520 million) in the three months ended March 31, from 20.3 billion rupees a year earlier. Profit was projected at 23.6 billion rupees (US\$490.7 million). Chairman Sunil Mittal is negotiating a merger with South Africa's MTN Group Ltd. to create an operator with annual sales of US\$20 billion serving 200 million wireless subscribers across Africa and Asia. Mittal aims to tap markets with fewer people having mobile phones to help Bharti extend its lead over nearest rivals Reliance Communications Ltd. and Vodafone Group Plc.
- **Distributors in Cambodia said that the number of Chinese-sourced mobile phones being sold in Cambodia each month is climbing rapidly.** Not only are they cheaper than leading brands, but some have features including the ability to use two SIM cards, built-in radio and TV receivers and MP3 and MP4 players. The Ky Hout company imports between 6,000 and 8,000 phones monthly for distribution in Phnom Penh, Siem Reap and Battambang. The sales manager, who asked not to be named, said customers liked the fact that the phones were substantially cheaper than the competition.

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Sales were up ten-fold since the start of the year. Srey Touch, the owner of another importer, the 03 Company, agreed that sales of Chinese-made phones were up sharply.

Information Technology Services

- **Wipro Ltd. reported first-quarter profit that exceeded analysts' estimates after the company won more orders and cut costs.** Net income rose 13 percent to 10.1 billion rupees (US\$209 million) in the three months ended June 30, from 8.96 billion rupees a year earlier. Profit beat the 9.2 billion-rupee (US\$191.3 million) median of 26 analyst estimates compiled by Bloomberg. Sales gained 5.7 percent. Wipro joins larger rivals Tata Consultancy Services Ltd. and Infosys Technologies Ltd. in surpassing analyst expectations, signaling demand for India's software services may be rebounding as the global recession eases. Billionaire Chairman Azim Premji, who pared costs by freezing pay for Wipro's almost 100,000 employees, has acquired businesses to boost sales and aims to increase revenue from markets such as the Middle East and Brazil.

United States/Canada

Media, Entertainment and Gaming

- **Walt Disney Co. is developing a subscription-based product for the Internet.** Disney believes it has opportunities to increase sales from the Web as online advertising can be improved, and consumers can be targeted by tracking their activities and interests, generating higher prices from marketers. Disney is putting movies and television shows online to reach Internet viewers. The company was the first to sell shows and films on Apple Inc.'s iTunes and to put advertiser-supported prime-time TV programs online. Smart devices offer a way to generate revenue from the Web.

Telecommunications

- **Nortel Networks Corp. is selling a business that makes phone systems for offices to Avaya Inc. for US\$475 million, making its rival the largest supplier of voice-communications equipment as the recession shrinks the market.** The sale of the unit brings to a close months of on-and-off negotiations over the unprofitable division.
- **In the second quarter, AT&T's wireless service margins fell to 38.3 percent, down from both the first quarter and the year-earlier period and still falls short of rival Verizon Wireless.** The decline was largely blamed on the estimated US\$720 million in subsidies the carrier has to pay Apple Inc. to keep the iPhone reasonably priced. In comparison, Verizon Wireless had service margins of 46 percent in the first quarter. The wireless carrier is jointly owned by Vodafone Group Plc and Verizon Communications Inc. Verizon Wireless will likely generate additional savings from its merger with Alltel Corp., further boosting its profitability.

Internet

- **AOL Chief Executive Officer Tim Armstrong, who just completed a 100-day review of the Internet company, plans to overhaul advertising and develop more local Web sites in an effort to revive falling sales.** Armstrong, a former Google executive named AOL CEO in March, says sites with city guides can help fill a void of community information on the Internet, attracting visitors and advertisers. He also plans to bolster AOL's Advertising.com, a network used to buy and sell ads on Web sites, by folding in services that target consumers based on their usage and offer more feedback on ads' effectiveness. Armstrong met with employees in 16 cities to develop a strategy to rejuvenate AOL before Time Warner Inc. spins it off into a separate, publicly traded company later this year. The

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CEO is up against an increasingly mobile and global Internet with ad sales that trail Google and Yahoo! Inc.

- **Amazon.com agreed to buy Zappos.com, the biggest acquisition in its history, to add more than 1,000 shoe and apparel brands.** Amazon.com will exchange 10 million shares for Zappos.com's outstanding stock and assume all options and warrants. The transaction is valued at about US\$887.9 million. The company will also give Zappos.com employees US\$40 million in cash and restricted stock. The purchase will extend Amazon.com's dominance in the e-commerce market and help fuel growth. Founded in 1994 as an Internet bookstore, Amazon.com has grown into the world's largest online retailer, selling everything from groceries to power tools.
- **eBay Inc. reported profit and sales that beat analysts' estimates, a sign that Chief Executive Officer John Donahoe's turnaround effort is gaining traction.** Second-quarter net income was US\$327.3 million. Excluding costs such as stock compensation, earnings were US\$0.37 a share. eBay's sales and profit forecast for the current period also beat analysts' predictions. Donahoe is pushing eBay toward more fixed-price items and away from its roots as an online auctioneer, an effort to stem customer defections to Amazon.com. eBay has lowered listing fees to help sellers get more items on the site and made changes to the search engine to help buyers identify the best deals.
- **Yahoo! Inc. forecast third-quarter sales that missed analysts' estimates after an online advertising slowdown cut into revenue.** Revenue will be US\$1.45 billion to US\$1.55 billion in the current quarter. Jeffrey Lindsay, an analyst with Sanford C. Bernstein & Co., had projected US\$1.56 billion. Yahoo faces an industry-wide slump in online ad spending and mounting competition from Google which dominates the search-engine market. EMarketer expects online U.S. ad growth to slow to 4.5 percent in 2009, from 11 percent last year. Yahoo has tried to revive profit growth by cutting jobs and shutting down some of its Web sites. It also revamped its home page to appeal to more Internet users and advertisers.

Software

- **Microsoft Corp. is expected to post declines in profit and sales for its fiscal fourth-quarter, as it contends with flagging sales of personal computers bundled with its technology.** Wall Street analysts on average estimate that Microsoft will post earnings of 36 cents a share for the period ending in June, on US\$14.38 billion in revenue. That compares with earnings of 46 cents a share and US\$15.84 billion in revenue in the same period a year earlier. The report will come after a month in which Microsoft saw some encouraging signs from its recently revamped Internet search service, called Bing. Bing helped Microsoft win some search market share from Yahoo Inc. in June.
- **Microsoft Corp. canceled a five-year financing agreement with CIT Group Inc., the commercial lender threatened with bankruptcy.** Customers that have existing agreements with CIT can continue to get financing from the lender, Stacie Sloane, a spokeswoman for Redmond, Washington-based Microsoft. CIT's bondholders agreed to give the bank US\$3 billion in emergency financing this week, helping stave off bankruptcy for now. The lender, which expects to report a loss of more than US\$1.5 billion for the second quarter, has about US\$10 billion in debt due by next year. Technology companies such as Microsoft and Dell have used CIT to help customers pay for computers and software. Microsoft had signed an exclusive agreement with CIT beginning in France and Switzerland in 2006. The companies expanded the deal to other countries in 2007. Microsoft plans to work with a number of other financial institutions, declining to say how much financing is provided to customers by CIT.

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Hardware

- **Logitech International SA posted a second consecutive quarterly loss after revenue fell 36 percent to US\$327.9 million.** The first-quarter net loss was US\$36 million, compared with profit of US\$29.3 million a year earlier. Sales exceeded the US\$311 million average estimate of 13 analysts surveyed by Bloomberg. The economy of the U.S., Logitech's biggest market, may have shrunk 1.5 percent in the three months through June. Retailers including Best Buy Co. sold Logitech devices such as wireless steering wheels for computer games with discounts of as much as 50 percent during the quarter. Retail sales in the Americas region fell 37 percent last quarter.
- **Apple Inc.'s fiscal third-quarter earnings rose 15 percent as margins improved despite price cuts and revenue grew on improved Macintosh and iPhone sales.** Apple, which is notorious for giving conservative guidance, said it expects fiscal fourth-quarter per-share earnings of US\$1.18 to US\$1.23 on revenue of US\$8.7 billion to US\$8.9 billion. Analysts polled by Thomson Reuters projected US\$1.30 and US\$9.05 billion, respectively. Apple's growth is coming mainly from sales of its higher-margin iPhones, plus a 10 percent price cut during the quarter on some of its notebook computers, said Jane Snorek, analyst with First American Funds, which owns Apple shares. Apple doesn't offer 10 percent discounts all that often. Goldman Sachs analyst David Bailey said the better-than-expected quarter outweighs Apple's typically conservative outlook.

Semiconductors

- **Apple has entered into a long-term supply agreement with Toshiba Corp. for NAND-type flash chips in a sign that the chip market could be on the road to recovery.** Apple made a US\$500 million prepayment to the loss-making Japanese chipmaker at the beginning of July, a transcript of Apple's conference call with analysts on its consensus-beating results showed. Apple's profit margin and sales of its iPhones and Macs in the April-June quarter beat analysts' expectations, and the firm is looking to lock in component supplies and prices. In January, Apple entered into a five-year agreement with South Korea's LG Display for LCD panels in a deal that included an upfront payment by Apple of US\$500 million. The deal with Toshiba is a boon for the world's No.2 maker of NAND as it grapples with mounting losses and cutthroat price competition against bigger rival Samsung Electronics of South Korea. Weak demand and relentless chip price falls have torn into Toshiba's capital, forcing it to raise US\$5 billion earlier this year.
- **Advanced Micro Devices reported a net second-quarter loss of US\$330 million as the chipmaker offered a muted outlook for the rest of the year.** The US\$330 million loss, or 49 cents per share, compares favorably to a US\$1.2 billion loss in the same period last year. Analysts had forecast a loss of 47 cents per share. Revenue of US\$1.18 was flat compared to the first quarter of 2009 and decreased 13 percent compared to the second quarter of 2008. AMD expects revenue for the product company--which excludes the spun-off manufacturing operations--to be up slightly for the third quarter of 2009, a less positive outlook than the one Intel offered last week.

Europe

Mobile/ Wireless

- **Synchronica PLC expects to post a six-fold increase in first-half sales of at least 1.2 million pounds (US\$1.9 million) and to win more new customers in the second half of 2009.** Historically the bulk of its sales are generated in the second half of the year, giving it confidence for its full-year results. Synchronica secured a number of significant contracts in the first half, in the fast-

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growing emerging markets of India, Eastern Europe and Latin America. The direct sales activities associated with its reseller agreement with Nokia Siemens Networks give it access to global distribution channels, and it expects to add further new customers for the technology in the second half and meet market expectations for full-year revenue.

- **Nokia said quarterly profit fell almost 66 percent to 380 million euros (US\$539 million), and cut its forecast for market share and profitability, blaming tough competition in the top end of the market.** Sales fell 25 percent. Analysts had predicted profit of 361 million euros (US\$512.6 million) on sales of 10.1 billion euros (US\$14.3 billion). Nokia said its market share would be static this year, after previously forecasting an increase. Nokia also repeated its forecast that the global handset market would decline about 10 percent this year. Handset makers are recovering from a drop in sales at the end of last year, which blocked further shipments as firms sold their excess inventory.
- **Nokia Siemens Networks , a joint venture between Finland's Nokia Corp. and Germany's Siemens AG, said it has received a contract from Vietnam-based telecom provider Viettel to provide hardware, software and services for setting up the country's first third-generation, or 3G, network.** Viettel, Vietnam's leading telecoms provider, was recently awarded a 3G license by the Vietnamese. Nokia Siemens added that it has also received an order from Kuwait-based Zain to expand the operator's wide fiber backbone network in Nigeria by 600 kilometers within six months.

Telecommunications

- **Turk Telekom's second-quarter net profit fell 1.3 percent on year to 657.3 million lira (US\$435.6 million) from 665.5 million lira (US\$449.8 million) in the second quarter of 2008.** The company's sales was 2.6 billion LIRA (US\$1.8 billion) and financial costs rose to 232.2 million lira (US\$156 million). Turk Telekom's first-half profit also fell 938 million lira (US\$633 million).
- **Royal KPN NV cut its forecast for 2009 revenue as sales at its iBasis unit slow.** KPN reported second-quarter profit of 371 million euros (US\$528 million), from 353 million euros a year earlier. Analysts anticipated profit of 348 million euros (US\$494.5 million), the average of five estimates compiled by Bloomberg. KPN now expects 2009 sales between 13.6 billion euros (US\$19.3 billion) and 13.8 billion euros (US\$19.6 billion). The company had previously forecast revenue to be "in line" with 2008 sales of 14 billion euros (US\$19.9 billion).
- **Telenor ASA lowered its revenue guidance after reporting a 61 percent slump in second-quarter profit.** Full-year revenue excluding Indian unit Unitech Wireless will be in line with 2008, however on the negative side. Telenor previously said sales would be in line with last year. The full-year margin for EBITDA including Unitech will be 32 percent to 33 percent, and reiterated a forecast of 34 percent without Unitech. Net income fell to 1.38 billion kroner (US\$219 million). Sales gained 3.3 percent. Analysts anticipated a 2.6 billion kroner (US\$496 million) profit on sales of 24.6 billion kroner (US\$4.7 billion).
- **Tele2 AB reported a stronger-than-expected second-quarter net profit as sales were buoyed by new customers and as it cut costs.** The company, which has recently been expanding rapidly in Russia and wants to push further into this growing market, said it would continue to cut costs and focus on cash generation across its operations until the economy starts to recover, and the measures taken so far are yielding positive results. The telecom operator posted a net profit of 1.14 billion Swedish kronor (US\$149 million) for the three months to June 30, compared with a net loss of 54 million kronor (US\$10.3 million) the previous year when the result was hit by impairment charges of

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738 million kronor (US\$140.9 million). The figure was well ahead of analysts' expectations for a 999 million kronor (US\$190.7 million) profit as the company added 478,000 new customers in Russia.

- **BT Group PLC and Vodafone Group PLC signed a deal to transfer BT's consumer and small business broadband and voice customers in the Republic of Ireland to Vodafone and will provide Vodafone with wholesale services to help deliver its broadband products over seven years.** When combined with BT's 87,000 consumer and smaller business customers, Vodafone's fixed-line customers will number around 170,000, which is about 15 percent of the fixed Irish broadband market. Including cable, there are 917,000 fixed-line broadband customers in Ireland out of 2.5 million households. Unbundled telephone lines don't have to be rented from Eircom, thereby lowering the cost of running the line and the broadband service.
- **Telefonica O2 Germany GmbH & Co. OHG is still in the running to acquire German broadband company Hansenet.** The company is still engaged in talks, Rene Schuster, the chief executive of Telefonica O2 Germany. Hansenet is a subsidiary of Telecom Italia SpA. It had around 2.3 million digital subscriber line customers at the end of March.
- **Vodafone aims to boost its share of the fast-growing machine-to-machine (M2M) market with the launch of its new M2M platform.** Global operator revenues from M2M services reached 3 billion euros (US\$4.2 billion) in 2008, which forecast that they are expected to hit 8.9 billion euros (US\$12.6 billion) by 2012. An upcoming report from Vodafone also predicts that M2M services have the potential to cut greenhouse gas emissions across 25 European Union member states by more than 90 million tons by 2020.
- **Egypt's stock market regulator has set new conditions to accept the France Telecom bid to buy Orascom Telecom shares in the Egyptian Co. for Mobile Services, or Mobinil.** The France Telecom tender price per share should be equivalent to the price set by the international arbitration. On April 5, an international arbitration court ruled that France Telecom should buy Orascom Telecom's stake in the company for 273.26 egyptian pounds (US\$49.80) a share. Orascom Telecom and France Telecom are joint shareholders in a holding company, which owns 51 percent of Mobinil. The court ruling applied to the holding company. Orascom Telecom also holds 20 percent of the free floating shares of Mobinil. Orascom Telecom said earlier that the ruling requires France Telecom to tender for the freely floated shares of the company at the same price.

Software

- **SAP AG plans to buy Swiss software company SAF AG for 63.7 million euros (US\$90.6 million) to add systems that let retailers and manufacturers manage inventory.** SAP is offering 11.50 euros for each SAF share, or 9.5 percent more than SAF's closing price. SAF's two founders and main shareholders agreed to sell their combined 37.8 percent holding, Walldorf. SAP's takeover strategy contrasts with that of smaller competitor Oracle Corp., the most acquisitive company in the software industry. SAP has bought mainly small rivals to add pieces of software to existing products, while Oracle's recent purchases include the US\$7.4 billion takeover of Sun Microsystems that gives it the Java programming language.

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South Africa/Middle East/Latin America

Telecommunications

- **Emirates Telecommunications Co. posted a 19 percent dip in second-quarter net profit as the U.A.E.'s largest telecom operator managed to avoid the full impact of the global financial crisis and beat analyst expectations.** First-half net profit for the period was 4.59 billion U.A.E. dirhams (US\$1.25 billion). First-half net profit in 2008 included profit on sale of shares in Saudi Arabia's Etihad Etisalat, or Mobily.
- **MTN Group Ltd. and India's Bharti Airtel Ltd. are in talks with banks about loan financing to back their approximately US\$6 billion merger plan.** MTN is talking to banks in London for a loan of around US\$3 billion to finance the merger while Bharti is talking to banks in Asia about financing its portion of the merger cost, these people said, without disclosing the size of Bharti's loan. Under the merger terms, MTN proposes to buy about 25 percent of Bharti for about US\$2.9 billion in cash and newly issued shares which would account for a 25 percent stake in the South African company.
- **Vivendi has halted talks with Zain over acquiring a majority stake in its African assets.** The news will come as a blow to Zain investors, who have seen their shares in the operator buoyed by recent reports it was close to selling its loss-making Africa subsidiary. Vivendi originally confirmed it was in talks to acquire a majority stake in Zain's African operations in the first half of July. The assets were valued by analysts at the time to be worth around US\$7.5 billion, although some local press reports alleged they were worth as much as US\$12 billion. Sources also claimed Vivendi was in talks with banks over a 4.5 billion euros (US\$6.4 billion) loan that would be used to help it finance the deal. Vivendi is currently present in Africa through its Moroccan unit Maroc Telecom.
- **Emirates Telecommunication Corp., or Etisalat, is not in talks to buy a 51 percent stake in Kuwait's Mobile Telecommunication Corp.** A media report cited an Etisalat official as saying that the company is interested in buying a 51 percent stake in Zain. Zain and Etisalat are the two largest telecom operators in the region by market capitalization after Saudi Telecom. Etisalat's market capitalization is US\$20.64 billion, while Zain's is US\$17.83 billion. The two operators compete in many of the same markets. Both have operations in Saudi Arabia, Sudan and Nigeria among other countries.
- **Safaricom Ltd. will raise between KES10 billion (US\$129.87 million) and KES12 billion (US\$155.84 million) in a bond issue to be listed on the Nairobi Stock Exchange.** The company would split the issue into two, with the first tranche of up to KES6 billion (US\$77.92 million) to be released by the end of next month with the second phase to be launched in the first quarter of next year. The operator would use proceeds from the bond to expand its data services.
- **Saudi Telecom Co., or STC, said its 2009 second-quarter net profit fell 22 percent to 2.99 billion Saudi riyals (US\$797 million) from a year ago due to rising capital expenditure on its foreign ventures.** The second-quarter net profit was up 20 percent on the first-quarter. The second quarter profit was slightly above analysts expectations. The median estimate for net profit was SAR2.85 billion (US\$760 million). Earnings per share for the first-half of 2009 fell. STC, the largest listed telecom operator in the Middle East, said it will distribute a quarterly dividend of SAR1.5 billion (US\$400 million).

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Other Economic Data

Currency Exchange Rates

Currency	Units	Current Rate (on 7/24/09)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2009	% Change 1/1/2008
Japanese yen	¥/US\$	95.23	4.60%	95.23	4.60%	98.18
Hong Kong dollar	HK\$/ US\$	99.13	2.36%	102.44	2.20%	100.98
Chinese renmenbi	RMB/ US\$	100.30	2.62%	100.59	2.59%	96.79
Singapore dollar	S\$/ US\$	111.57	2.90%	111.57	2.90%	111.57
South Korean won	KRW/ US\$	99.73	2.55%	99.94	2.52%	98.75
New Taiwan dollar	NT\$/ US\$	10,229.52	5.56%	10,195.76	5.58%	10,214.81
Australian dollar	US\$/A\$	99.48	5.81%	101.62	5.56%	99.83
New Zealand dollar	US\$/NZ\$	101.34	5.88%	101.71	5.82%	100.37
Philippine peso	PHP/ US\$	103.09	9.36%	102.23	9.46%	102.33
Euro	US\$/€	88.30	8.01%	88.50	7.99%	89.30
British pound	US\$/£	102.41	4.65%	104.41	4.52%	104.10

Fixed Income Prices and Yields

Note	Currency	Current (on 7/24/09)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	94.7700	0.6%	-0.5%	2.8%	-15.8%	94.7700
Japan 30-year	¥	7.7495	0.0%	0.0%	0.0%	-0.7%	7.7495
Hong Kong 10-year	HK\$	6.8313	0.01%	-0.05%	0.1%	-6.5%	6.8313
China (06/16)	US\$	1.4397	-0.7%	-1.0%	-1.5%	-0.4%	1.4397
Singapore 10-year	S\$	1,245.0000	-1.0%	-2.9%	-5.4%	33.1%	1,245.0000
South Korea 20-year	KRW	32.8100	-0.1%	-0.1%	0.1%	1.0%	32.8100
Australia 15-year	A\$	0.8171	1.8%	2.9%	15.1%	-6.6%	0.8171
New Zealand (12/17)	NZ\$	0.6555	1.7%	2.6%	12.1%	-15.3%	0.6555
Philippines 20-year	PHP	47.9700	0.2%	-0.5%	1.6%	16.4%	47.9700
India 30-year	INR	1.4202	0.7%	0.9%	2.3%	-3.5%	1.4202
UK 30-year	£	1.6428	0.6%	-0.2%	13.1%	-17.6%	1.6428
Germany 30-year	€	94.7700	0.6%	-0.5%	2.8%	-15.8%	94.7700

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