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

Week of 10 August 2009 - 16 August 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 (8/14/2009)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2008	% Change 12/31/2007
S&P 500	1,004.09	-0.6%	11.4%	11.2%	-31.6%
Dow Jones Industrial Avg.	9,321.40	-0.5%	11.9%	6.2%	-29.7%
Dow Jones Tech. Index	347.97	0.5%	11.6%	38.4%	-24.2%
Dow Jones Telecom. Index	205.10	-0.3%	10.4%	2.6%	-34.6%
NASDAQ Composite	1,985.52	-0.7%	10.7%	25.9%	-25.1%
Japan Nikkei 225	10,597.33	1.8%	17.1%	19.6%	-32.3%
JASDAQ	50.47	1.5%	9.2%	4.7%	-30.1%
Japan Mothers	466.87	2.2%	20.2%	44.3%	-40.4%
Korea KOSPI Composite	1,591.41	1.0%	15.5%	41.5%	-16.1%
Korea Kosdaq	531.12	3.6%	11.6%	60.0%	60.0%
Taiwan Stock Exchange	7,069.51	2.9%	8.2%	54.0%	-16.9%
Singapore Straight Times	2,658.75	3.3%	15.2%	50.9%	-23.3%
Hong Kong Hang Seng	20,893.33	2.5%	21.1%	45.2%	-24.9%
Hong Kong GEM	646.24	4.7%	13.1%	67.6%	-52.1%
China Shanghai (A-Share)	3,198.11	-6.6%	-1.1%	67.3%	-42.1%
China Shenzhen (A-Share)	1,074.63	-5.9%	-2.4%	84.8%	-29.3%
China Shanghai (B-Share)	202.72	-3.9%	2.4%	82.8%	-44.6%
China Shenzhen (B-Share)	513.52	-4.4%	1.2%	89.3%	-27.6%

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

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

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

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

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

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Weekly Highlights

International

Mobile/ Wireless

- **Global sales of smartphones rise in the second quarter as some users sought more features for their money, but the overall mobile phone market declined year-on-year for the third consecutive quarter and the fall in average selling prices is accelerating.** Consumers who would usually buy mid-range phones were either now purchasing smartphones or were trading down to less-expensive handsets. An increasing proportion of sales from emerging markets is hurting average selling prices, because several cheap but feature-rich phones have been launched on these markets, giving consumers little reason to trade up. Around 286 million handsets were sold in the three months to end-June. The drop follows a 9.4 percent decline on the year in the first quarter.

Japan

Telecommunications

- **NTT DoCoMo Inc. replaced Softbank Corp. as Japan's No. 1 mobile-phone operator by user additions last month, regaining the top ranking for the first time in three years.** DoCoMo added 143,600 users in July, 6,000 more than Softbank's 137,600 new subscribers in the period. Softbank, which released Apple's latest iPhone handset in June, dropped to second place after leading the ranking for 26 straight months. KDDI Corp. led in terms of new subscribers for the nine months preceding that. DoCoMo rose 1.2 percent to close, while Japan's benchmark Nikkei 225 Stock Average added 0.2 percent. Softbank fell 0.9 percent and KDDI gained 0.2 percent. The Aquos Shot handsets made by Sharp Corp. for DoCoMo users sold the most in July, followed by Apple's new iPhone for Softbank users.

Semiconductor

- **NEC Corp. hired Morgan Stanley and Daiwa Securities SMBC Co. to sell as much as 200 billion yen (US\$2.1 billion) in stock and bonds.** NEC may offer new shares to Japanese and global investors as early as September. The company is planning to sell securities like subordinated debt. The sale may help NEC repay its debt and finance investments in businesses such as renewable energy as the global recession caused the company's biggest annual loss in seven years. The company lacks growth engines and faces further risks that losses at its semiconductor unit will persist. NEC is looking forward to generate profit of 10 billion yen (US\$105.4 million) in the 12 months ending March 2010 after posting a loss of 296.7 billion yen (US\$3.1 billion) last fiscal year. To help increase its revenue, the company last year agreed to create a rechargeable-battery factory with Nissan Motor Co. to meet demand from electric and gasoline- electric hybrid automobiles.
- **Elpida Memory, Inc. has entered into an agreement with Development Bank of Japan to raise 30,000 million yen (US\$314.85 million) through the issue of its Series 1 and Series 2 preferred shares.** The proceeds from the offering will be used by Elpida to implement its business restructuring plan, which includes investment in research and development and in capital expenditure.

Software

- **Trend Micro posted consolidated net sales of 24,244 million yen (US\$249 million), operating income of 7,229 million yen (US\$74 million) and net income of 4,028 million yen (US\$41**

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million) for the quarter. The Japan region experienced flat consumer sales, and reduced enterprise sales. In North America, consumer sales increased even though appreciation of the yen against the dollar affected this region. EMEA sales revenues were down slightly along with its local currency, in addition to the strength of the yen, total sales substantially decreased when compared to the same period last year.

Media, Entertainment and Gaming

- **Nintendo Beefing Up Overseas Download Lineup For DSi Portable.** Nintendo will make a wider array of software titles available in the U.S. and Europe for downloading to its DSi hand-held game system.

Alternative Energy

- **Kaneka Corp. has broadened its solar cell-related business by taking a controlling interest in Sanvic Inc., a leading maker of solar cell sealing materials.** Kaneka recently boosted its stake in Sanvic from 49.5% to 50.2% and turned the company into a consolidated subsidiary.

Korea

Telecommunications

- **KT Corp.'s second-quarter results were generally in line with our expectations, and are maintaining its fair value estimate.** Sales declined 2.7 percent year over year. Fixed-line voice revenue fell more than 8 percent versus the year-ago quarter because of the service terminations and decreasing usage. Heightening competition in the Internet access business resulted in a 6 percent decline in this segment over the same period. Performance was also weak in the wireless segment this quarter, despite 4 percent year-over-year customer growth, as results were dragged down by poor handset sales and lower average revenue per user, which declined 4 percent because of lower voice revenue. The EBITDA margin improved from the same year-ago quarter, from 23 percent to 25 percent.
- **LG Telecom will combine its music service, MusicOn, with content from local entertainment company MNet Media which will offer a catalogue of 1.3 million songs and more than 80,000 music videos.** With the new mobile music portal, LG will compete with KT's Dosirak and SK Telecom's Melon services.

Hardware

- **Samsung Group's former Chairman Lee Kun Hee was found guilty of breach-of-duty for his role in causing losses at Samsung SDS Co.** The Seoul High Court handed Lee a three-year prison sentence because he knew SDS illegally sold convertible bonds to his son Lee Jae Yong in 1999 to transfer control of the group. The sentence is suspended for five years, meaning the former chairman will continue to be free. Lee has one week to appeal the verdict. The judge opted not to imprison Lee, partly because of his role in helping the company's sales and profit grow. Suspending the jail term highlights the tendency by South Korean courts to offer clemency to heads of the nation's family-run business groups for white-collar crimes.

Internet

- **South Korea will set up an advanced data centre in Vietnam that aims to enhance the overall competitiveness of the Southeast Asian country.** Government Information Data Centre is being

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developed to improve the performance of the government and facilitate regional and international cooperation that is vital for sustained growth and administrative efficiency. A new memorandum of understand (MOU) was signed which would expand cooperative ties. The MOU reached in Vietnam is a follow-up to a deal iron out in May, and outlines cooperation in information technology-related consulting, exchange of personnel, effective control of data and joint efforts to help related companies. A joint South Korea-Vietnam information communication technology committee will be convened early next year at the latest, which can allow more detailed working-level talks to begin.

China

Internet

- **China.com's revenue was down 31 percent year-over-year but up 27 percent quarter-over-quarters.** Net profit was HK\$0.6 million (US\$.09 million) in the period and a net profit of HK\$14.6 million (US\$2.1 million) in the year-ago period. The company's revenue was HK\$42.64 million (US\$6.2 million) and loss HK\$5.49 million (US\$803207) in the first six months.
- **ChinaCast Education Corp. entered into a definitive agreement to purchase the remaining 20 percent interest in The Foreign Trade and Business College of Chongqing Normal University for US\$17.6 million.** The Company will pay an additional US\$2.3 million for a one-time profit distribution bringing the total purchase price to US\$19.9 million. ChinaCast attained the acquisition of 80 percent of Hai Lai Education Technology Limited for US\$65.8 million. ChinaCast will pay 50 percent of the consideration within 10 days of signing in return for 20 percent of the remaining interest of the holding company of FTBC. The balance of 50 percent of the consideration will be paid by ChinaCast after the registration of the transfer of ownership with the authorities.
- **China saw its online shopping market transaction volume hit 56.36 billion yuan (US\$8.2 billion) in the second quarter of 2009, increasing 20.7 percent quarter on quarter and surging 91.9 percent year on year.** The transaction volume growth was mainly driven by the purchasing peak season and a list of the vendors' promotion strategies. Online shopping has become the hottest industry in the nation's whole Internet market. China's largest online consumer-to-consumer (C2C) marketplace Taobao.com still led the platform-model online shopping market with an 82.7 percent marker share in the quarter, and BOE Technology Group Co., Ltd. took 28.8 percent of the B2C shopping market.
- **Alibaba.com Ltd. booked 260.7 million yuan (US\$38.2 million) in net profit attributable to equity holders in the second quarter of 2009, down 16.9 percent year-on-year, while revenues grew 23.6 percent year-on-year and 12.6 percent quarter-on-quarter to 908.3 million yuan (US\$133 million).** Registered users rose 31.5 percent year-on-year and 6.3 percent quarter-on-quarter to 42.78 million by the end of June, with 33.32 million users in the China marketplace. China storefronts grew by 46.1 percent year-on-year to 4.38 million by the end of the second quarter. Paying members were up 44.4 percent annually and 10.4 percent sequentially to 531,471 by the end of June. Subscribers consisted of 70,453 Gold Supplier users, 19,219 International TrustPass users and 441,799 China TrustPass users.

Mobile/Wireless

- **The number of people accessing the internet through a mobile phone in China stood at 151.82 million at the end of the second quarter, up by 183.44 percent year-on-year and 9.39 percent from the first quarter.** China Mobile is the largest provider of mobile internet services with 67.5

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percent of user volume, followed by China Unicom with 26.7 percent and China Telecom with 5.8 percent.

- **KongZhong Corp.'s net profit for the second quarter of this year increased 41 percent from a quarter earlier to US\$355 million, with earnings per share hitting US\$0.09.** The company recorded US\$32.3 million in total revenues in Q2 2009, representing a quarter-on-quarter growth of 9 percent and a year-on-year growth of 37 percent, higher than the firm's previous estimates of between US\$30.5 million and US\$31.5 million. Total gross margin during the period was 51 percent, compared with 49 percent recorded in the first quarter. KongZhong will conduct a long-term investment to Kong.net. The company aims to build it as a 3G mobile portal combined with social networking services. The firm predicted its total revenues would be between US\$34 million and US\$35 million in the third quarter of this year.

Telecommunications

- **Huawei Technologies and Ericsson beat out other telecom equipment manufacturers to win contracts in China Telecom's 50 million yuan (US\$7.3 million) project to update the 10 Gbps DWDM backbone network connecting the Yangtze River Delta cities of Shanghai, Nanjing and Hangzhou.** Huawei took about 80 percent of contracts. China Telecom plans to improve network speed from 10 Gbps to 40 Gbps. Product delivery is on the third quarter. Commercial operation of the updated network is slated for late 2009.

Media, Entertainment and Gaming

- **The actual sales of China's self-developed online games had reached 11.01 billion yuan (US\$1.6 billion), increasing 60.1 percent over the previous year, and the sales accounted for 59.9 percent of China's online game publication market.** Though the administration encourages foreign companies to jointly develop online games with Chinese companies, it strongly prohibits these companies from online game operations with their own companies or joint ventures. Chinese online game companies gained rapid development in overseas markets.
- **The World of Warcraft has resumed services with an open testing program which partly resolved the conflict triggered by the game's operating right transferring from The9 to Shanghai Netease.** The General Office of the Chinese Ministry of Culture requires a reapplication of the approval number for a game when there is a change in ownership of operation rights. The WOW service stopped until July 30. But as the two operators continue to sell the game cards has led to a lot of dissatisfaction and anger among the WOW players in China. China's online game industry's sales in 2009 are forecast to be 24 billion to 27 billion yuan (US\$3.51-3.95 billion), which would bring about 67 billion yuan (US\$9.5 billion) in incomes for telecommunications, IT and other related industries.
- **NetEase booked net profit of 468.1 million yuan (US\$68.5 million) for the second quarter of 2009, improving over 438.2 million yuan (US\$64.2 million) in the year-ago period and 416.7 million yuan (US\$61.0 million) in the first quarter of 2009.** Total revenues grew on annual and quarterly bases to 872.1 million yuan (US\$127.7 million) in the second quarter of 2008 and 781.7 million yuan (US\$114.4 million) in the first quarter of 2009. Online game revenues were 781.5 million yuan (US\$114.4 million), up annually and sequentially from 595.0 million yuan (US\$87.1 million) and 724.0 million yuan (US\$106.0 million), respectively. The company increased its technical and customer service staff by about 500 to support the Battle.net platform and World of Warcraft.

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- **Hurray! Holding Co., Ltd. reported the resignation of director Mr. Robert Mao from the Board, effective July 31, 2009.** Mr. Niu is the publisher and creator of 'The Founder' magazine and a professional industry commentator.

Alternative Energy

- **LDK Solar booked a net loss of US\$216.9 million, or US\$2.03 per diluted ADS, for the second quarter of 2009 versus net loss of US\$22.5 million, or US\$0.21 per diluted ADS, for the first quarter of 2009.** An inventory write-down, of about US\$175.8 million, and a loss on firm purchase commitments of polysilicon materials, approximately US\$16.7 million, negatively impacted gross margin and results from operations. Net sales for the second quarter fell to US\$228.3 million from US\$283.3 million in the previous quarter and US\$441.7 million in the year-ago period. LDK shipped 231.7MW of wafers, up 20.9 percent year-on-year, during the three-month reporting period. For the third quarter, LDK is forecasting revenue of US\$240 million to US\$270 million with 260-300MW of wafer shipments and 10-20MW of module shipments. Demand for solar wafers is beginning to turn more positive.

Taiwan

Telecommunications

- **Chunghwa Telecom Co. said three of its undersea cables across the Luzon Strait that provide international voice calls and Internet connectivity have been damaged by undersea landslides caused by Typhoon Morakot.** The company has repaired one of the cables, but damage to two others has limited international voice calls between Taiwan and Singapore, the Philippines and Hong Kong. Chunghwa Telecom is discussing alternative connection routes with China Telecom Corp. and other foreign telecommunications companies. Companies whose voice connections have been affected by the cable damage will have 50 percent of their service restored, while those whose Internet connectivity has been affected will have 60 percent of the service restored.

Hardware

- **Compal Electronics Inc. shipped 3 million notebook PCs and scored combined revenue of NT\$53.206 billion (US\$1.61 billion) in July, with the latter hitting the highest this year and sharply growing 44 percent from last July.** Netbook PC still accounted for over 800,000 units, indicating that launch of CULV platform-based laptops hasn't eroded the segment for netbook PCs. The firm has scored aggregate notebook PC shipment of 17.3 million units very close to the corresponding figure of 17.8 million units posted by its major rival Quanta Computer Inc., the leading notebook PC supplier.

Semiconductor

- **MediaTek is expected to ship up to 100 million chipsets in the third quarter alone and achieve earnings per share of NT\$32 (US\$0.969) for entire the year.** MediaTek ranked as the No. 2 IC chip designer in the world, only trailing Qualcomm of the U.S. The firm is very likely to see its single-month sales revenue break the NT\$10 billion (US\$303 million) mark in August. With handset IC chips contributing over 70 percent to its sales revenue. Strong market demand in emerging markets, like China, India and Brazil, will help to strongly boost its sales performance in the remaining months of the third quarter.

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- **Taiwan Semiconductor Manufacturing Co. (TSMC) and United Microelectronics Corp. have received more orders for ARM-based processor chips since late July.** Qualcomm, Texas Instruments, Nvidia, Freescale Semiconductor and a unit of Via Technologies all placed orders for the chips, which will be used in smartbooks. The increase in orders will raise the capacity utilization rates for TSMC's 65-nanometer and 55-nanometer technology to 100 percent by November, while UMC's rates will reach that level by the end of August.
- **Inotera Memories raised NT\$10.2 billion (US\$310 million) without much difficulty by issuing global depository receipt (GDP).** Inotera raised from the GDP issuance 10 percent more capital than expectations, with each share trading at NT\$16.02 (US\$4.87). Inotera is the first Taiwanese DRAM chipmaker to smoothly raise capital from the international market during the economic downturn. Nanya Technology Corp., FPG's other DRAM subsidiary, received NT\$12.2 billion (US\$369 million) from the group through a private-equity placement. Industry executives point out that new capital will help facilitate the two companies' 50-nanometer process development.

Hong Kong

Media, Gaming and Entertainment

- **TOM Group has net profit of HK\$11.67 million (US\$1.5 million) with revenues of HK\$1.19 billion (US\$153 million).** Profit increase 16 percent year-on-year on revenues with 4 percent year-on-year. The company's share of losses in e-commerce platform Eachnet, a joint venture with eBay, narrowed 44 percent. Average revenue per Eachnet buyer increased to 22 percent during the period. Eachnet opened a marketplace for imported Taiwan goods in June. Other revenue segments include publishing, which brought in HK\$404.0 million (US\$52.1 million) in first half revenue, outdoor media, and TV and entertainment.

Internet

- **Operator of the QQ instant-messaging service, Tencent., had a 61 percent boost in second-quarter profit.** Its second-quarter net profit was 1.19 billion yuan (US\$174.1 million) versus 644 million (US\$94.2 million) in the same period a year earlier. The increase was a result of stellar results from Tencent's online games and mobile service segments. The company said the number of active user accounts for its instant messaging platform was up 9.1 percent. Profit at Tencent, will hopefully increase to 1.04 billion yuan (US\$152 million), the median of three analysts' estimates in a Bloomberg survey. Total revenue for the quarter was 2.88 billion yuan (US\$421.3 million) versus an average analyst expectation of 2.6 billion yuan (US\$380.4 million). Revenue from its Internet value-added services grew 107.9 percent in the quarter, while revenue from its mobile segment expanded 38.9 percent and business from online advertising grew 9.1 percent from a year earlier.

Telecommunications

- **Hutchison Telecom International (HTIL) has agreed to sell its 51 percent stake in Partner to Scailex Corp. for US\$1.38 billion.** HTIL will book a pre-tax gain of US\$1 billion and is discussing with tax authorities the related capital gains tax but does not expect the tax to be significant. HTIL targets to close the deal in November after getting approvals from the Israeli telecom regulator (MoC), antitrust commissioner and HTIL shareholders. The board has not yet decided on the use of proceeds, but will do so after deal closure and will take into account both the funding needs of HTIL's remaining businesses as well as consider a special dividend to shareholders. HTIL's 1H2009 results which were largely inline with our forecast with revenue 2 percent lower.

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Singapore/Malaysia/Philippines/Indonesia/India

Telecommunications

- **Singapore Telecommunications' regional mobile subscriber base grew 33 percent from a year earlier to 262.2 million during the fiscal first quarter ended June 30.** Indian mobile associate Bharti Airtel added 33 million customers from a year earlier and ended the quarter with 102.4 million subscribers. Indonesian associate PT Telkomsel's customer base grew by 23.6 million to 76 million. The firm's subscriber base in Singapore grew by 238,000 to 2.99 million. SingTel's Australian unit, Optus, saw its subscriber base rise by around 764,000 customers to about 8 million.
- **Millicom International Cellular SA has agreed to sell its Cambodian operations for US\$346 million in cash to The Royal Group, its partner in the country.** The transaction comprises Millicom's 58.4 percent holdings in each of CamGSM, Royal Telecom International and Cambodia Broadcasting Services. It values the Cambodian operations at an enterprise value of US\$605 million, representing an estimated 7.1 times 2009 EBITDA. Millicom earlier this year decided to divest its Asian operations and focus on Africa and Latin America. The units in Cambodia, Sri Lanka and Laos will be classified as assets held for sale and that it had received expressions of interest from a number of parties.
- **Hutchison Telecommunications (Australia) Ltd. swung to a first half net profit of A\$552.0 million (US\$465 million), boosted by the sale of its "3" business into a new mobile phone joint venture with Vodafone Australia.** The group recorded a A\$587.3 million (US\$495 million) profit on the sale, which was completed in early June. Excluding the proceeds of the sale, the group's loss for the half ended June 30 narrowed to A\$35.3 million (US\$29.7 million) from a net loss of A\$85.4 million (US\$72 million) a year earlier. Hutchison Australia and Vodafone agreed to merge their mobile phone units into a new entity. Vodafone Hutchison Australia giving them more power to take on Australia's mobile phone market leader Telstra and SingTel's Optus unit.
- **PT Excelcomindo Pratama's first-half net profit was up 12 percent on year to 706.38 billion rupees (US\$14.6 billion) because of the gains from telecommunication equipment leasing transactions.** Operating revenue was raised to 7 percent. The slight increase in operating revenue, however, was offset by higher operating costs, which rose 19 percent. Its operating profit decreased 41 percent. Gains from leasing telecommunication equipment of 463.90 billion rupees (US\$9.6 billion), compared with zero in the previous year drove net profit higher.
- **Bharti Airtel Ltd. is running on a revised offer in its proposed merger with South Africa's MTN Group Ltd., possibly entailing a higher cash outgoing and additional debt to fund the deal.** Bharti is working out the revised terms on an MTN share price increase and a rise in the cash component of the deal. The outgoings are likely to be higher than the US\$4 billion originally estimated. Bharti will seek more bank loans to fund the transaction.
- **India's investigation of the fraud at Satyam Computer Services Ltd. has nearly ended.** The government has filed charges against seven people in the case. Satyam Computer Services has been at the center of India's biggest corporate fraud probe after former Chairman Ramalinga Raju overstated the company's assets by more than US\$1 billion, triggering a drop in stock. A government-appointed board sold a controlling stake in Satyam to smaller rival Tech Mahindra Ltd. in April to prevent an exodus of clients and employees. Tax and finance ministry officials were continuing investigations into the draining off of funds.

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- **Bharti Airtel Ltd. plans to outsource the management and maintenance of its 80,000 kilometer-plus intercity optic fiber cable network in a deal worth an estimated US\$500 million over five years.** Bharti has spoken to several telecom equipment companies and a contract will be issued shortly, the Web site quoted an executive privy to the development as saying.
- **Dialog Telecom has launched a mobile phone network in Sri Lanka's former war zone, becoming the first international company to operate in the area.** Dialog Telekom, a unit of Malaysia's Axiata Group Bhd. and Sri Lanka's biggest mobile operator has set up base stations in northern areas previously held by the rebel Tigers. The northern expansion drive is part of Dialog's network plans to install 60 base stations in the war-torn areas at a cost of up to US\$10 million this year. The government declared the end of fighting with Tamil rebels after crushing the guerrilla leadership in mid-May following a decades-long ethnic conflict.

United States/Canada

Mobile/Wireless

- **Research In Motion Ltd. raised the stakes in its high-profile battle with L.M. Ericsson Telephone Co. to acquire Nortel Networks Corp.'s coveted next-generation LTE wireless assets.** The Blackberry maker warned that Canada will lessen investment and opportunity if Nortel sells the assets, known as long-term evolution (LTE). Nortel's LTE assets are nothing short of a national treasure. Ericsson will transfer Nortel's research and development LTE assets to its corporate headquarters in Sweden if the deal is successful for it's more efficient to have these assets next to a company's national headquarters. Canada's law enforcement, military and government are increasingly reliant on wireless technology to operate.

Telecommunications

- **Nortel Networks Corp. will start in mid-August to take bids for its controlling stake in a joint venture with South Korean electronics company LG Electronics Inc.** The company planned to start collecting bids for the stake in late July, but the plan was postponed to mid-August because of greater interest from companies, including private equity funds and global telecom equipment firms. Goldman Sachs was picked as the lead manager to sell the 50 percent plus one share stake in the joint venture, which makes telecoms equipment.
- **Clearwire Corp.'s second-quarter loss narrowed slightly as the wireless Internet provider continued to roll out its WiMax wireless network into more cities.** The company is in a race to deploy its wide-reaching network, which uses a technology called WiMax, ahead of the traditional cellular carriers. Clearwire has been struggling to satisfy Wall Street ahead of the full launch of its 4G mobile broadband network, known as WiMax. Earlier this year, the company tapped Morrow, a former Pacific Gas & Electric and Vodafone PLC executive, to be CEO as it set its course toward becoming a national player.
- **Nortel Networks Corp. Chief Executive Mike Zafirovski is thinking of resigning from the company within weeks.** After turning around Motorola Inc.'s cellphone division and a General Electric Co. lighting unit, Zafirovski came on board to remake the Toronto company in late 2005. New team of managers, former executives from GE and International Business Machines Corp., were entered to aid forge a new strategy. The CEO spent more than three years in turning Nortel around before seeking protection from creditors in January. The telecommunications-equipment maker, which entered bankruptcy proceedings with more than US\$2 billion in cash, initially planned to

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restructure and emerge as a viable company but the company thought that it could make more funds for creditors by selling its assets in bankruptcy. Zafirovski's management team used the profits from Nortel's most profitable business, which sold an older wireless technology called CDMA to carriers in North America, to fund research into new technologies. He promised to leave any business where Nortel couldn't be in the top two and explored selling units as well as finding a merger partner.

- **Virgin Mobile USA Inc.'s second-quarter profit jumped even though subscriber losses mounted on intensified pressure applied by rival discount players.** MetroPCS Communications Inc. and Leap Wireless International Inc. both had unsatisfactory outcomes. Warren has been slowly driving its customer base away from a pay-per-minute basis and toward a flat-rate monthly pricing model, which yields higher revenue and a lower turnover rate. It has been able to wring more profits out of its subscribers. But it's also a segment that's garnered the most attention by wireless providers. The company posted income of US\$17.2 million, higher from US\$3.5 million a year earlier. Revenue decreased 3.8 percent to US\$307.6 million.

Internet

- **Facebook Inc. has acquired FriendFeed, a startup that allow users to share links and status updates online, folding in a potential rival that struggled to take off.** All 18 FriendFeed employees, including the four founders, will join the company. The acquisition comes after Facebook last year failed to acquire Twitter.

Semiconductors

- **Canadian Solar Inc. and China GD Power Development Co. have inked a long-term agreement to make cooperation in PV power station from its design, investments to construction, operation and maintenance.** The two companies will have a joint venture for PV power station development. China GD will hold the controlling stake in the JV while Canadian Solar has the priority to sell PV modules to the JV. The company proposes to build two on-grid power stations each with capacities of 10 MW in the early stage. The capacities are planned to expand later. The cooperation is significant for its PV market exploration. The company aims to become the top supplier for China GD's PV projects. Chinese government's supportive policies pave the way for the company's development in China's PV market.

Software

- **Microsoft Corp. has an agreement with Nokia Corp. to make a mobile version of Microsoft's Office suite of software that works on Nokia cellphones.** The deal could help Microsoft play a broader role in mobile devices while fortifying its Office business in the face of competition from free Web-based word processors, spreadsheets and other applications from Google Inc., Sun Microsystems Inc. and others. The alliance between Nokia and Microsoft is another sign that the two companies are coming closer together as mutual threats have emerged. Microsoft makes an operating system for cellphones called Windows Mobile that competes with Symbian, the software that powers most Nokia phones.
- **International Business Machines Corp. aims to grab a piece of the more than US\$1 trillion in global stimulus spending by pitching cloud-computer projects for health care and energy.** The world's biggest computer-services provider is talking to those customers about deals. Cloud computing lets clients store data on someone else's computer servers so they don't have to maintain their own. The U.S. government's stimulus plan will put more than US\$100 billion toward health-care networks, energy grids and other technology projects. IBM may benefit from that spending because

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cloud technology can help those operations run more efficiently. The U.S. health-care industry will receive about US\$21.1 billion in technology funding through the stimulus package, while energy will get US\$77.6 billion.

Technology

- **Technology startups are having an easier time paying their bills, a sign that Silicon Valley's economy is recovering.** The outlook for startups is improving because corporate technology spending is picking up and venture capitalists are more willing to invest in companies that are generating sales. SVB Financial, the parent of Silicon Valley Bank, serves about half of U.S. venture-backed companies. Improving sales mean startups are less likely to default on loans. SVB Financial Group cut the amount it set aside for loan losses by almost half to US\$21.4 million in the second quarter, from US\$43.5 million in the previous three months. That compares with US\$67.3 million in the fourth quarter of last year.

Europe

Telecommunications

- **Swisscom AG warned of depressed future earnings will be unable to offset price erosion in fixed-line telephony by pushing growth in areas such as mobile and broadband services.** The warning came as Swisscom posted a 28.6 percent rise in second quarter net profit on lower-than-expected financial charges and will reach its operational targets in 2009 despite the difficult environment. Margins will drop in the future as a consequence. Swisscom's operating margins fell to 44.4 percent in the second quarter from 44.9 percent in the year-earlier period. Net profit for the three months to the end of June rose to 530 million Swiss francs (US\$489.8 million). Sales continued to drop due to competitive pressure. Sales in the second quarter fell 1.9 percent, as growth at the company's Italian unit Fastweb, which increased sales by 4.8 percent, was undercut by the 2.3 percent sales decline in Switzerland. Despite the sales deterioration that is set to continue.
- **Argentina's Grupo Clarin S.A.'s profits fell during the second quarter as dollar debt and a depreciating peso cut into the bottom line.** The media, Internet and cable conglomerate posted a second quarter net profit of 125.7 million Argentine pesos (US\$32.8 million), an 8.1 percent drop on the year. Profits during the first half of the year plunged 58.1 percent on the year mainly as a consequence of the peso depreciation during the first six months, which went from 3.45 pesos per dollar at the end of 4Q08, to 3.80 pesos per dollar as of June 30th, 2009. Earnings were helped by a sharp increase in sales from cable TV and Internet access due to a rising subscriber base.
- **OAO Mobile TeleSystems's second-quarter profit decreased 15 percent to US\$563 million from US\$659.2 million a year earlier due to economic slowdown and hurt lower wages demand.** Sales dropped 23 percent to US\$2.02 billion. Revenue fell due to the decline of the ruble, which lessened to an average of 32.17 to the dollar in the second quarter from 23.63 a year earlier. Mobile TeleSystems's demand dropped as the economy declined. Russia's economy contracted 10.9 percent in the second quarter. The average monthly wage decreased an annual 5.2 percent in June. Operating income before depreciation and amortization slid 29 percent to US\$954 million in the quarter. Average revenue per user in Russia declined to 245.4 rubles (US\$7.60).

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Other Economic Data

Currency Exchange Rates

Currency	Units	Current Rate (on 8/14/09)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2009	% Change 1/1/2008
Japanese yen	¥/US\$	94.9100	-2.7%	2.1%	2.9%	-15.7%
Hong Kong dollar	HK\$/ US\$	7.7500	-0.003%	-0.01%	-0.003%	-0.7%
Chinese renmenbi	RMB/ US\$	6.8341	0.04%	0.02%	0.2%	-6.4%
Singapore dollar	S\$/ US\$	1.4428	0.2%	-1.2%	-1.3%	-0.2%
South Korean won	KRW/ US\$	1,239.5000	1.3%	-5.3%	-5.8%	32.5%
New Taiwan dollar	NT\$/ US\$	32.9200	0.5%	-0.6%	0.5%	1.3%
Australian dollar	US\$/A\$	0.8325	-0.5%	6.4%	17.2%	-4.8%
New Zealand dollar	US\$/NZ\$	0.6778	0.9%	7.3%	15.9%	-12.4%
Philippine peso	PHP/ US\$	47.9500	0.3%	-0.6%	1.6%	16.4%
Euro	US\$/€	1.4202	0.1%	1.6%	2.3%	-3.5%
British pound	US\$/£	1.6538	-0.9%	1.9%	13.9%	-17.0%

Fixed Income Prices and Yields

Note	Currency	Current (on 8/14/09)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	101.31	4.47%	94.22	4.66%	100.29	4.23%
Japan 30-year	¥	100.09	2.31%	99.82	2.32%	103.09	2.14%
Hong Kong 10-year	HK\$	100.07	2.65%	99.33	2.74%	100.96	2.47%
China (06/16)	US\$	110.52	2.99%	110.48	3.00%	111.57	2.90%
Singapore 10-year	S\$	99.89	2.53%	99.56	2.57%	100.64	2.42%
South Korea 20-year	KRW	10,123.73	5.68%	10,158.63	5.64%	10,468.37	5.26%
Australia 15-year	A\$	100.67	5.67%	100.18	5.73%	101.62	5.56%
New Zealand (12/17)	NZ\$	100.48	6.01%	100.71	5.97%	102.11	5.70%
Philippines 20-year	PHP	102.83	9.39%	102.95	9.38%	102.24	9.25%
India 30-year	INR	86.70	8.17%	87.00	8.14%	88.25	7.86%
UK 30-year	£	108.69	4.27%	106.84	4.38%	107.43	4.31%
Germany 30-year	€	104.30	4.01%	101.74	4.13%	103.80	4.04%

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