



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

***Week of 3 October 2009 - 11 October 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 (10/9/2009)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2008	% Change 12/31/2007
S&P 500	1,071.49	4.5%	4.5%	18.6%	-27.0%
Dow Jones Industrial Avg.	9,864.94	4.0%	3.9%	12.4%	-25.6%
Dow Jones Tech. Index	375.29	4.0%	3.8%	49.3%	-18.3%
Dow Jones Telecom. Index	212.52	0.9%	0.4%	6.4%	-32.2%
NASDAQ Composite	2,139.28	4.5%	5.0%	35.7%	-19.3%
Japan Nikkei 225	10,016.39	2.9%	-3.6%	13.1%	-36.0%
JASDAQ	49.28	1.4%	-0.6%	2.2%	-31.7%
Japan Mothers	442.37	4.6%	0.4%	36.8%	-43.5%
Korea KOSPI Composite	1,646.79	0.1%	1.7%	46.5%	-13.2%
Korea Kosdaq	506.29	0.7%	-3.9%	52.5%	52.5%
Taiwan Stock Exchange	7,571.96	2.2%	3.5%	64.9%	-11.0%
Singapore Straight Times	2,692.82	2.3%	0.1%	52.9%	-22.3%
Hong Kong Hang Seng	21,499.44	5.5%	2.0%	49.4%	-22.7%
Hong Kong GEM	657.52	1.5%	2.0%	70.6%	-51.3%
China Shanghai (A-Share)	3,055.70	4.8%	-0.6%	59.8%	-44.7%
China Shenzhen (A-Share)	1,047.03	5.1%	-0.3%	80.1%	-31.2%
China Shanghai (B-Share)	200.39	3.6%	0.6%	80.7%	-45.2%
China Shenzhen (B-Share)	520.00	3.4%	1.8%	91.7%	-26.7%

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

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

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

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

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

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## Weekly Highlights

### International

#### *Mobile/ Wireless*

- **According to ITU, mobile subscriptions shall reach 4.6 billion at the end of this year.** The growth happened despite the global financial crisis that has lessened consumer demand. Growth is sound as demand for broadband services, which in some countries has been increased through infrastructure stimulus packages, is also climbing. Mobile broadband subscriptions will top 600 million in 2009, while the number of fixed broadband subscribers shall reach about 500 million. Subscription numbers in third world countries including Africa are still low and should be encouraged with new and cheap technology.

#### *Semiconductor*

- **Global semiconductor's revenue would accelerate for about 10 percent next year after two years of falling, as new computers and feature-jammed smartphones helped increased the chip demand.** Semiconductor revenue is expected to reach US\$233 billion in 2010, which would have a 17 percent annual fall. iSuppli Corp. sees the global chip sales lessened to 16.5 percent in 2009. Companies with old PCs may rush to have Windows 7, which could help drive 2010 unit growth beyond 15 percent. This would deliver good news to TSMC and UMC in Taiwan, and other loss-making computer memory chipmakers. The revenue of dynamic random access memory (DRAM) chips which was used mainly for PCs, might decline 19.4 percent this year but it could climb 25 percent in 2010 and up another 13 percent in 2011.

### Japan

#### *Semiconductors*

- **Elpida Memory Inc.'s venture with Taiwan's Powerchip Semiconductor Corp turned profitable in July-September on rising prices of DRAM.** Taiwan firm Rexchip Electronics Corp, 52 percent owned by Elpida, has operating and net profits in five quarters as dynamic random-access memory prices declined 80 percent in 2008 in a battered chip sector. If the current recovery in chip prices continues, its profit will become more substantial. Elpida's Tera Probe turned profitable in the quarter just ended, due to increase in demand for testing of mobile DRAM used in smartphones. Other investors in Tera Probe include Taiwan's Powertech Technology Inc, U.S. module maker Kingston Technology Co and Japanese tester maker Advantest Corp.
- **Tokyo Electron Ltd. said orders for machines that make semiconductors and flat-panel displays almost doubled in the second quarter.** Orders were up 94 percent to 97 billion yen (US\$1.1 billion) in the three months ended Sept. 30. Bookings fell 8.1 percent from a year earlier. Chip-equipment orders were up 70 percent in the July-September period due to the demand from semiconductor makers in Taiwan and South Korea.
- **Elpida Memory Inc.'s production subsidiary had profits in July-September on rising prices of Dynamic Random Access Memory (DRAM).** Rexchip will have net profit of almost 1 billion yen for the quarter, the first time to make operating net profits in five quarters. DRAM prices have

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increased 30-80 percent in the past three months on growing demand for high-performance varieties. Elpida will have profit accelerate as the chip prices recover.

## *Hardware*

- **Toshiba has appointed a new regional distributor as it seeks to reclaim its market share after the previous dealer closed shop citing the global economic downturn.** The new distributor, Mitsumi, will cover Kenya, Uganda, Tanzania, Rwanda, Burundi and Ethiopia. The company's previous distributor from the Gulf region pulled out to take care of other investments. The partnership will also enable Mitsumi to have direct access to the official Toshiba stock from Germany and South Africa. This will cut down on time between placing an order and having it delivered to PC resellers. The partnership will enable them and their resellers to get brand new laptops and accessories as well as save them time and freight cost. Toshiba clients will now be able to deal directly with resellers appointed by Mitsumi and also be informed of where they can get protected or warranty.
- **Japan sales of digital SLR cameras in September fell 3.8 percent on the year in volume terms.** This marks the first drop in unit sales since the company began collecting comparable data on such cameras in August 2005. Market focus is shifting to tiny, lightweight digital SLR cameras designed to the so-called Micro Four Thirds standard. These models accounted for nearly 20 percent of sales volume. Overall growth in digital SLR cameras peaked in June 2007, when unit sales rose 53 percent on the year. Demand has softened since the global financial crisis hit last fall, but up until September, the market had still managed to post year-to-year growth. Camera makers had been able to maintain sales growth by lowering prices to reduce inventories. But such moves have run their course and the year-on-year declines will likely continue in October and beyond.

## *Telecommunications*

- **NTT Communications has launched a service that will bridge customers on its Global e-VLAN wide Ethernet network in 11 countries to its IP VPN offering in 159 countries and regions.** The optional service, named IP VPN Bridge, allows customers to seamlessly access both layer 2 and layer 3 services across its Ethernet and IP infrastructure, the company said. The Global e-VLAN service is currently available in Japan, South Korea, China, Hong Kong, Taiwan, Singapore, the US, the UK, France, Netherlands, and Germany.
- **NTT DoCoMo Inc is easing the pace of its M&A activity in Asia as it focuses on existing acquisitions.** Cash-rich DoCoMo, which is still hungry to grow in Asia through investments in operators, wants to first solidify its services with India's Tata Teleservices and with Philippines Long Distance Telephone Co. DoCoMo controls half of Japan's saturated mobile market, where growth has stalled. It is now looking at investing in more software firms and content providers that could help DoCoMo climbed revenues as it launches its Long Term Evolution network at the end of next year. DoCoMo considers the arrival of LTE, which allows faster uploads and downloads to mobile devices, a second chance after it fumbled its push to gain global presence with its 3rd-generation phone network 10 years ago, launching its network too early.

## *Mobile/ Wireless*

- **Softbank Mobile Corp. ranked first among Japanese cellphone service providers in net subscription gains in September for the second consecutive month.** Softbank Mobile gained a net 108,000 new contracts in the month, attracting new customers with a new discount plan to temporarily eliminate basic fees for switchers to Softbank from other cellphone service providers. KDDI Corp. replaced NTT Docomo Inc. as the second-largest net contract gainer with 102,300

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contracts, taking advantage of a new service offering fixed charges on calls to designated people. Emobile Ltd. came third with 88,200 contracts, followed by NTT Docomo with 66,000 contracts. NTT Docomo lost many customers on the expiration of its two-year discount service introduced in 2007.

## *Investments/ Ventures*

- **Investors in the foreign exchange market are starting to speculate that plans by some Japanese companies to raise capital abroad are partly responsible for the yen's ongoing advance.** One such domestic firm is Nomura Holdings which would carry out half of its new share sale, or some 220 billion yen (US\$2.5 billion), overseas. Others tapping foreign markets for their capital-raising efforts include Elpida Memory which recently raised 63 billion yen (US\$701.9 million) by selling new shares, with 57 billion yen (US\$635 million) of that coming abroad.

## **Korea**

### *Telecommunications*

- **LG Group will go ahead with a long-considered merger of its three telecom units in the near future to boost its consumer base and strengthen service offerings.** LG Telecom and LG Powercom may hold board meetings soon. A merger is seen as necessary for LG to compete with bigger telecom rivals KT Corp and SK Telecom, as operators in the saturated Korean market focus on locking in customers through products bundling mobile, fixed-line and Internet services. KT absorbed its mobile unit KTF earlier this year while SK Telecom also controls broadband affiliate SK Broadband. LG Telecom, the biggest of the three companies, could absorb the other two given its bigger scale. LG Telecom will hold a board meeting regarding its desire to merge with LG Dacom, a fixed-line Internet operator, and LG Powercom, an Internet service unit. The telecommunication companies are affiliates of LG Group.
- **SK Group will sell 15 million shares in SK C&C Co. through an initial public offering on the domestic bourse in November.** The preliminary indicative price range was set at 28,000-32,000 won (US\$24.00-27.50). The 15 million shares are now being led by SK Group's mobile service unit SK Telecom Co. and SK Networks Co. SK Telecom and SK Networks will sell all their stakes in SK C&C through an IPO as part of efforts to restructure the group into a holding company. Woori Investment & Securities, Korea Investment & Securities and Daishin Securities are lead managers for the IPO. Merrill Lynch is the international coordinator for the share offering.

### *Mobile/ Wireless*

- **The number of the nation's subscribers to real-time Internet-protocol television (IPTV) has topped the one million mark.** The country's three IPTV service providers, KT, SK Broadband, and LG Dacom, achieved the landmark, about nine months after the commercial service of IPTV started. The daily number of new IPTV subscribers increased to seven thousand in the second half of the year. The association expects the number of subscribers to surpass one-point-and-a-half million by year's end and two million early next year thanks to the expansion of infrastructure and improved service quality.

### *Internet*

- **Internet home phone business of LG Dacom will surpass 2 million subscribers this month for the first time in the industry.** So it is expected to reach record of reaching BEP in the shortest

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period among local telecommunication services. LG Dacom will surpass 2 million by the mid of this month after reaching 1.91 million in the end of last month for my LG070 service subscribers. The number of subscribers currently has increased over 100,000 a month and the proportion of internet phone among entire sales of LG Dacom has been steady increase to 11 percent in the first half of this month from 7 percent last year.

## *Information Technology*

- **South Korea's trade surplus in information technology (IT) products reached a record US\$6.43 billion mainly due to a sharp drop in local demand for foreign made goods and modest export gains.** Exports of semiconductors, mobile phones and other IT products rebounded into positive territory for the first time in a year by edging up 0.8 percent to US\$12.24 billion last month, with imports contracting 13.6 percent on-year to just under US\$5.81 billion. The surplus is the largest since the ministry started announcing IT-related trade figures in 1996, while the size of exports is the third highest tallied ever. The largest monthly export volume was reached in October 2007 when the country shipped out US\$13.07 billion worth of goods. IT exports reached US\$86.36 billion, with imports topping US\$45.16 billion for a combined surplus of a US\$41.19 billion.

## *Hardware*

- **Apple Inc.'s entry in the South Korean mobile market might increase price competition, pressuring margins at Samsung Electronics Co. and LG Electronics Inc. which are already pressured from weak demand.** Samsung's margin from its telecommunications division including handsets, lessened to 10 percent from 11 percent a year earlier. LG's margin from handsets decreased to 11 percent in the second quarter. Apple, of Cupertino, Calif., will start selling its popular iPhone within this year as the South Korean government gave the greenlight for the sale of the smartphone which features a touch screen and other multimedia capabilities such as Web surfing and e-mail.
- **Samsung Electronics Co. said that profit might increase in the third quarter on higher sales, amid a brightening outlook for the company.** The Suwon will have a consolidated operating profit of between 3.9 trillion won (US\$3.3 billion) and 4.3 trillion won (US\$3.67 billion) for the three months ended Sept. 30. Samsung recorded consolidated operating profit of 1.48 trillion won (US\$1.3 billion) in the same period last year. Samsung began issuing earnings estimates in the second quarter this year. The company began releasing consolidated operating profit and sales figures from the first quarter of last year, though does not release a consolidated net profit figure and offered no estimate. Samsung's highest operating profit on a consolidated basis so far was 2.57 trillion won (US\$2.2 billion) recorded in the first quarter of 2008.

## **China**

### *Internet*

- **E-House's CEO Xin Zhou has stepped down and became executive chairman of the company and CEO of China Real Estate Information Corporation (CRIC).** Gordon Jianjun Zang was appointed as temporary CEO and has been given a seat on the board.
- **Baidu will establish a business-to-consumer (B2C) online shop alliance and has launched a "Morning Star 100" plan to provide B2C search sales solutions to small and medium enterprises (SMEs).** Morning Star solutions are based on Baidu's "One Box" search engine and will initially target 100 SMEs.



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## *Telecommunications*

- **LTE will give ZTE a chance to penetrate more developed markets in the future as the OFDM-based technology does not have much to do with the past.** The company has an around 35 percent share of the Chinese 3G market. Its global 3G market share was up over the past year. The market is converging on LTE, although operators are questioning the vendors regarding the deployment of the technology and the resolution for the issue of voice over LTE. China Mobile wished to deploy TD-LTE as soon as possible. The company aims to consolidate TD-LTE and FDD LTE into the same set of network and handset requirements by 2011 or 2012.
- **The launch of 3G service in China has provided good opportunities for global telecom giants, such as NTT Corp.** The Japanese group will tap the China market by cooperating with China Mobile, the largest cell phone carrier in China. NTT group unit NTT Solmare Corp will begin to distribute e-comics in Guangdong and Jiangsu provinces as early as next month with the price set at 0.5 yuan per instalment. NTT Solmare, also partnering Tata Teleservices, has launched an e-comics service in India last month. China is in strongly growing demand for mobile phone content along with the growth in subscribers and the launch of 3G service.
- **The state-run enterprises in eight of the nine large industries in 2008 have seen their profit fall year on year.** The eight industries suffering from sliding profit were the petrochemical, steel, electricity, machine manufacturing, telecommunication, air transportation, shipping, and construction industries. Only the state-run trade companies realized a profit increase. CNPC, Sinopec and CNOOC had losses in 2008 because of the unreasonable pricing mechanism. The company earned 22.6 percent year on year, but their profit was 29.4 percent less than in the previous year. BaoSteel, Wuhan Steel, Baotou Steel and Angang Steel, had profit declined by 37.3 percent year on year due because of the financial crisis, even though the sale revenues climbed by 19.9 percent.

## *Media, Entertainment and Gaming*

- **Giant Interactive Group Inc. forecasted net revenues of 272 million yuan to 291 million yuan (US\$39.9 million to US\$42.7 million) for the third quarter of 2009.** The company would seek net revenues of US\$50 million in July-September 2009. The company is scheduled to unveil its third-quarter financial results in mid November 2009 and launch four online games in the fourth quarter of the year.
- **The General Administration of Press and Publication (GAPP) has issued a circular that prohibits foreign companies from investing in and operating online games in China in such forms as sole investment, equity joint venture or non-equity cooperation.** Foreign investors are also banned to control and participate in Chinese enterprises' online game operation by indirect means such as establishing related joint venture, contracting agreements or offering technology supports. GAPP and the National Copyright Administration, aiming at further enhancing the pre-approval of online games as well as the approval and control of imported online games, jointly released the circular.

## *Hardware*

- **Amoi Electronics Co. Ltd. had a restructuring plan in November hoping to turn a profit this year and avoid getting de-listed on the domestic A-share market.** The Shanghai Stock Exchange suspended trading of Amoi stock as the company had its third consecutive year of net losses. Amoi must have profit for 2009 or it will be de-listed from the exchange. Amoi's restructuring efforts will be

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led by a team of officials from the Xiamen Municipal Government, lawyers from the Chinese firm of King & Wood and employees from Tebon Securities Co. Ltd.

## *Alternative Energy*

- **Trina Solar Ltd. has extended its eight year supply agreement signed last year with GCL-Poly Energy Holdings subsidiary Jiangsu Zhongneng Polysilicon Technology Development by another five years to a total of approximately 8,500 MW of solar modules.** The agreement also contains a price adjustment clause that offers a market-linked price formula.

## **Taiwan**

### *Telecommunications*

- **Chunghwa Telecom will add 200,000 mobile Internet service subscribers next year.** The forecast is attributed to the rising demand for mobile broadband and smartphones in Taiwan. The smartphone market is accelerating across developed markets because of the increased availability of mobile data services and the rapid increase in business users. The company sees to sell around 390,000 smartphones this year, of which 240,000 will be bundled with contracts for the company's mobile phone and broadband service plans.
- **Chunghwa Telecom Co. had unaudited net profit for the January-September period NT\$33.18 billion (US\$1.03 billion), down 9.1 percent.** Revenue for the nine months ended Sept. 30 fell 2.5 percent to NT\$140.06 billion (US\$3 billion). First-half net profit is NT\$22.26 billion (US\$478.5 billion). Third-quarter net profit was down 17.8 percent.
- **Chunghwa Telecom Co., Ltd. will march into the value-added service market in Mainland China by its Hami value-added service platform and e-book store.** The company introduced the Hami platform at the end of 2008, and Apple Inc.'s iPhone, Microsoft and Google-platform smartphones all have established their inner Hami platform. Most Hami users would keep using the platform, which would drive the growth of operating revenues from its value-added service. Chunghwa Telecom is now developing smartphone reading software and an e-book downloading platform named Hami bookstore, which will be launched by the end of this year.

### *Hardware*

- **HTC Corp. had an 18 percent fall in third-quarter net profit despite increasing marketing costs which may continue pressuring profit into next year.** The company had net profit for the three months ended Sept. 30 lessened to NT\$5.76 billion (US\$179.0 million). Revenue fell 10 percent. The company had ramped up spending on marketing despite intensifying competition in the smartphone market which made prices fall. Global handset makers have been focusing on their smartphone lineups as they see the shipment climb in double digits this year.

### *Semiconductor*

- **MediaTek Inc. dethroned Qualcomm Corp. as the world's No.1 supplier of mobile-phone chips in terms of shipment volume in the third quarter of the year, with shipments topping 120 million chipsets for 2.5-generation mobile phones.** Qualcomm delivered around 110 million sets for 3G mobile phones while Nokia Corp. shipped alike volume of chipsets. Industry executives point out that MediaTek's chips mostly target emerging economies like mainland China, India and Brazil as its prime markets whereas Nokia and Qualcomm mostly pinpoint at developed markets like the United States and European countries. Global market for mobile phones has accelerating growth from

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third-quarter shipments of the three chip vendors. Industry insiders estimated MediaTek's revenue for last month to set new high after the company saw revenue stay above NT\$10 billion (US\$303 million) in July and August.

- **United Microelectronics Corp. (UMC) raked in revenue of NT\$9.5 billion (US\$288 million) in September, helping increase its revenue for the third quarter by a sequential 21 percent to NT\$27.4 billion (US\$830 million).** The September revenue result had 5.23 percent rise from August and the highest revenue level in 23 months. Its third-quarter revenue growth is estimated to be only slightly lower than that of No.1 foundry player Taiwan Semiconductor Manufacturing Co. (TSMC), whose revenue growth for the same period is forecast at quarter-on-quarter rate of 22.6 percent with projected result of NT\$90.9 billion (US\$2.7 billion). UMC saw its capacity utilization rate surge all the way to 90 percent in the third quarter from 60 percent in the second quarter.
- **TSMC's third-quarter sales were up by a fifth from the previous three months, matching its own forecast due to the growing chip demand.** TSMC and UMC will show slight declines in fourth-quarter sales from the strong third quarter. TSMC shall keep reducing costs by sharing R&D efforts with its clients. TSMC is also diversifying into the energy-saving solar industry and beefing up its presence in the power management chip segment to ensure future growth. The company could issue a forecast for a 2 percent sequential decline in its fourth-quarter sales at its quarterly investor conference later this month.

## Singapore/Malaysia/Philippines/Indonesia/India

### *Mobile/ Wireless*

- **Samsung is upbeat that its new Candy model will help it gain 35 percent of the Thai mobile phone market, deposing Nokia from its long-established leadership.** The South Korean mobile phone maker expects its local mobile business unit to grow 30 percent this year in revenue and 40 percent in volume, selling 2.5 million handsets to generate 7-8 billion baht in sales. Overall handset demand is expected to edge up to 9.5 million units this year on an unchanged market value of 35 billion baht. Samsung held 30.5 percent of Bangkok's market, while Nokia had 28.7 percent. Nationally, Samsung had a 27.5 percent share compared with 33 percent for Nokia.
- **India's existing mobile operators could face competition from a number of big companies. AT&T has shall enter the competition, as well as Telstra and SK Telecom.** AT&T has shown a firm interest in bidding in the 3G spectrum auctions and has been in contact with the DoT since the reserve price for the contest was announced. The government set a starting price of 35 billion rupees (US\$714 million) for one slot of pan-Indian 3G bandwidth in late August. AT&T got around US\$250 million for its 33 percent stake in Idea Cellular. AT&T could find itself with a bill for as much as 80 billion rupees (US\$1.7 billion) to acquire the entire necessary spectrum. Winning spectrum in the forthcoming auction means a return to India for Telstra.

### *Telecommunications*

- **Bharti Airtel Ltd. might join the competition to obtain a controlling stake in Mobile Telecommunications Co.** Bankers and some consortium partners who are in meetings with Zain Group held preliminary talks with Bharti Airtel. Bharti Airtel will take on MTN Group Ltd. for the stake in Zain. Kuwait's Kharafi Group had invited small investors in Zain to sell their shares as part of a proposed sale of a 46 percent stake to a Malaysian-Indian consortium in a deal worth about US\$13.7 billion.

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- **Vihaan Networks Ltd. (VNL) plans to increase growth by tapping the world's most unfortunate places in Asia.** VNL wishes to help connect some of the more than 3 billion people around the world who still lack telephone, radio or TV access. Telecom operators aim to have more than 1 billion new customers by 2015. This would require the installation more than 2 million new base stations. Many of these base stations will have to be installed in areas without electricity. This is where VNL sees its opportunity to accelerate because 1.6 billion people still have no access to electricity at all, while another 1 billion people have access only to unreliable power supplies.
- **Cisco Systems and Bharti Airtel announced a strategic alliance aimed at boosting Indian enterprise growth.** The pair intends to jointly sell Cisco IP solutions delivered via the Airtel network, with Airtel senior vice president Sanjay Mittal heading up a dedicated team targeting local enterprises of all sizes. Anticipated product offerings include connected branch services, hosted unified communications, managed data services and TelePresence. The pair said allying would allow each company to bring its unique expertise to bear on the local market, with Cisco supplying its IP solutions portfolio and Airtel contributing its network and regional experience.
- **Millennium Telecom Ltd. will place an undersea cable project to connect India's east coast to Southeast Asia and from the west coast to the Middle East.** This would produce an onward connectivity to Europe and North America through existing and newly planned submarine cables. Mahanagar Telephone and Bharat Sanchar Nigam Ltd merged and formed Millennium Telecom. Axiom Systems has been assigned as the consultant for the project, called Millennium Cable Systems.
- **Telstra Corp. said the Australian government's planned reforms to telecommunications legislation would destroy shareholder value and create uncertainties over Canberra's planned A\$43 billion (US\$38.87 billion) national broadband network.** Telstra said the plans could potentially weaken the value for the 1.4 million Australian shareholders who purchased Telstra shares from the government over the past 12 years. Communications Minister Stephen Conroy has said the changes are aimed at improving competition in the fixed-line broadband sector, which Telstra dominates, ahead of the rollout of Canberra's planned NBN. Competitors, including Singapore Telecommunications Ltd.'s Australian arm Optus, have welcomed the reforms, but Telstra shareholders, including major institutional investors, have voiced their concerns.
- **Tata Communications has extended its network into Australia with a deal with Pipe Networks' PPC-1 cable system.** It has also boosted its Pacific network by building a terrestrial fiber link across Guam that allows its to connect directly into the China-US and AAG cables. Tata has added resilience by on the TGN Pacific network with by cross-connecting between Guam's two cable stations.
- **Singapore Telecommunications said its wholly-owned Optus unit priced its US\$500 million 10-year notes at 4.625 percent a year.** SingTel said the dollar denominated notes, which carry a semi-annual coupon, will mature on Oct. 15 2019, and were five times oversubscribed.
- **NTT Communications has set up a subsidiary in the Philippines to provide systems integration services, including consulting, ICT systems installation, and security services.** NTT Communications Philippines Corporation will complement the company's existing reseller relationship with PLDT for its global network services.
- **Singapore Telecommunications shares may have fallen victim to investor concerns that heightened competition in India's telecommunications sector could dent the earnings of Bharti Airtel, its largest overseas associate.** With the collapse of its US\$24 billion merger plan with

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South Africa's MTN Group last week, Bharti is under more pressure to perform locally. The failure of the Bharti-MTN talks also meant that SingTel, which was expected to pump in money to retain its Bharti stake, has been starved of major foreign acquisitions for nearly two years. In Singapore, SingTel shares fell six Singapore cents yesterday to S\$3.06. SingTel has a 30 per cent stake in Bharti, the biggest revenue contributor among the group's six overseas associates. The Indian telecom accounted for 24 per cent of SingTel's underlying post-tax profits in the first quarter. To stall new market entrants, Reliance Communications (India's second- largest wireless operator after Bharti) slashed its long-distance and roaming tariffs on Monday by as much as 50 per cent. Market watchers fear the aggressive cuts could spark a bruising war between Reliance and rivals such as Bharti and third-placed Idea Cellular.

## *Information Technology*

- **Infosys Technologies Ltd. had second-quarter profit increase 7.7 percent, after winning more business from its customers.** Net income rose to 15.4 billion rupees (US\$332 million), in the three months. The company reduced the prices to retain business from customers in the U.S. and Europe, his largest markets, amid the worst recession since the 1930s. Infosys won orders from Australia's Telstra Corp. and the U.K.'s BP Plc after the two clients sought to decrease the number of suppliers to cut costs. Sales will range from US\$4.60 billion to US\$4.62 billion in the year ending March 31. Forrester sees to have strong recovery in the US information technology market in 2010, with 7.7 percent growth, led by consulting services.

## **United States/Canada**

### *Mobile/Wireless*

- **Motorola co-Chief Executive Officer Sanjay Jha said Verizon Wireless's shall introduce phones with Google's Android operating system will boost demand for the software, benefiting Motorola's Android efforts.** Jha is rebuilding his unprofitable mobile-phone unit around Android. Motorola has the goal to use Android models to challenge Apple's iPhone 3G and Research In Motion Ltd.'s BlackBerry Curve would work with Google on Android. Motorola's first Android phone, the Cliq, will go on sale next month through T-Mobile USA Inc. Verizon will offer Motorola's second Android device. Motorola plans to perk up the growth by recapturing the success it had with the Razr phone five years ago. Revenue at the mobile-phone business lessened 45 percent to US\$1.8 billion in the second quarter.

### *Media, Entertainment and Gaming*

- **Walt Disney Co. and General Electric Co.'s NBC Universal new executives will lead their film studios after falling behind competitors at the box office.** Adam Fogelson was assigned to be the chairman of Universal Pictures and Donna Langley co-chairman. Burbank, California-based Disney promoted cable- network chief Rich Ross to studio chairman, replacing 38-year company veteran Dick Cook. Disney and Universal are in the bottom among the six major studios in U.S. and Canadian box-office sales in 2009, a year in which revenue has climbed 7.5 percent. U.S. and Canadian box-office sales have increased to US\$7.96 billion this year from US\$7.4 billion. Time Warner Inc. is on the top again this year with US\$1.61 billion in sales and 20 percent of the market. "Land of the Lost," cost Universal about US\$100 million to make and took in US\$62.5 million in worldwide ticket sales. Comcast will have no less than 50 percent of the operation. An agreement is unsure and any deal would depend on NBC Universal's minority owner, Vivendi SA, agreeing to sell its 20 percent stake.



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## *Telecommunications*

- **Cofetel said that 1.26 million wireless and fixed-line phone users have switched service providers since number portability rules happened in July last year.** 60 percent of the people who changed carriers were prepaid wireless subscribers, 35 percent postpaid fixed-line subscribers and the rest a mix of post-paid wireless and pre-paid fixed-line users. Mexico's telecommunications industry is being handled by billionaire Carlos Slim. The Telcel unit of mobile operator America Movil SAB has about 72 percent of wireless subscribers, with 58.1 million clients at the end of June, while Telefonos de Mexico SAB (Telmex) had about 85 percent of fixed-phone lines with 17.4 million lines.
- **Manitoba Telecom Services Inc. adjusted its earnings and revenue guidance for 2009 to reflect a sharper-than-expected decline in its legacy long distance business, as well as in the unified communications business.** The company's wireless, broadband and Converged IP businesses continue to have good performance despite the economy, but the Enterprise long-distance business is declining. EBITDA is now expected to be between C\$625- C\$645 million (US\$599 million- US\$618.6 million) and free cash flow will be between C\$230- C\$250 million (US\$220 million- US\$239.7 million) in 2009.
- **Ciena Corp. offered to purchase Nortel Networks Corp.'s optical networking business for about US\$521 million to expand internationally.** The price includes US\$390 million in cash and 10 million shares of Ciena common stock. Revenue generated by the assets topped US\$550 million in the first half. Ciena will take advantage of the contract to add fiber-optic network products, broaden its customer base in Europe and Asia, and add Nortel customers like Spain's Telefonica SA. Nortel's optical business operates in more than 65 countries, providing high-speed data networks across cities. The acquisition would accelerate the growth plans by a couple of years, both in terms of the customers and market reach it would give the company.
- **NCR Corp.'s Chief Financial Officer Anthony Massetti will leave the company later this month to take on the same role at privately held Avaya Inc.** The appointment comes at a key time at Avaya, which is wrangling with Canadian regulators over its planned US\$915 million buy of Nortel Corp.'s enterprise solutions division. Massetti will leave technology company NCR on Oct. 23 for his new appointment with Avaya on Oct. 26. He will be replaced at NCR by interim Chief Financial Officer Robert Fishman. Fishman, the company's corporate controller, already served as interim chief financial officer for nine months ended January 2008. Massetti will continue as its chief financial officer through its third-quarter earnings announcement. The company is in the process of seeking a replacement, saying it was considering both internal and external candidates.

## *Internet*

- **AT&T Inc. had a three-year deal with 7,000 legacy workers represented by the Communications Workers of America.** AT&T is still having contract discussions for a large number of its employees despite having a deal with several districts under the CWA. The company is still having meetings with several groups representing 65,000 union workers. The company is cutting back employees in its more traditional landline business, instead focusing on the increasing of wireless and Internet-television services. The new plan means a 9 percent increase over the life of the contract, as well as pension increases. This will also produce a new level of job retention and will provide new layoff protections for workers.
- **Google and Verizon Wireless will cooperate to create mobile devices based on Android operating system which will access the telecom heavyweight's network.** Verizon serves more

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than 87 million customers, more than double the number of the T-Mobile unit of Deutsche Telekom, and Sprint Nextel Corp. It is Verizon Wireless' latest attempt in a campaign to compete against Apple Inc.'s popular iPhone, which AT&T Inc. exclusively carries in the U.S. Google Chief Executive Eric Schmidt and Verizon Wireless CEO Lowell McAdam began discussing about a partnership about a year and a half ago. Verizon's commitment to open source platforms was critical to sealing the deal.

- **U.S. advertisers released US\$10.9 billion for Internet ads in the first half of 2009.** Search advertising is still representing the largest percentage of overall interactive ad spending, with search revenues reaching at least US\$5.1 billion in the half of 2009. Display-related advertising had US\$3.8 billion in the first six months of 2009. Digital video ads are still at tiny segment of the market with US\$477 million in spending, but the sector continued to show accelerating growth with a 38 percent increase from last year.
- **The U.S. Federal Communications Commission has given the green light for a trans-Pacific fiber-optic cable funded by an international consortium that includes Google.** The new cable, expected to be carrying data traffic by early next year, links the U.S. West Coast and Asia to meet the demand for more bandwidth to handle explosive global Internet communications. The 6,200-mile cable, costing about \$300 million, is being funded by six companies that, in addition to Google, include telecommunications companies Bharti Airtel in India, SingTel of Singapore and Pacnet, a Hong Kong-based deep-sea fiber-optic cable network operator. Capacity-chewing activities in the United States, such as social networks and online video sharing, have triggered a massive investment in deep-sea cables. And in Asia, companies like Pacnet are scrambling to meet demand of video traffic over mobile devices. Between 2008 and 2014, the number of customers using mobile video services in the Asia-Pacific region is expected to jump fivefold to 534 million, making it the world's largest mobile video market, according to Pyramid Research.
- **Retailers on EBay.com Inc.'s site had their sales increase in August and September, the first climbed since July 2008.** Same-store sales, or revenue for merchants selling for at least one year on EBay, had 4.6 percent in August and 5.1 percent in September. Sales fell every month since Channel Advisor started tracking its merchants on EBay. Sales growth among the 3,000 merchants Channel Advisor tracks was driven by fixed-price sales. EBay has three straight quarters of falling revenue as buyers and sellers fled to rival sites. EBay's sales climbed less than 1 percent to US\$2.13 billion in the third quarter from a year earlier.
- **Google would increase its profit and revenue as the company shall benefit from a preference for online search advertising during the downturn, and from a concerted effort to cut costs.** Google had earnings excluding special items of US\$5.37 a share for the period ended in September, and US\$4.2 billion in net revenue. Google's online search advertising suffered alongside the broader advertising market though it also is generally proven more resilient. The company is still gaining audience for its search service. Yahoo Inc. had a 6.7 percent international market share. Microsoft Corp. had 2.3 percent. Google's search advertising business is expected to benefit.

## *Hardware*

- **Compuware Corp. will acquire privately held Gomez Inc. for US\$295 million and create the largest software-as-a-service infrastructure management provider.** The partnership would help serve business and information technology companies that are moving more business-critical applications onto the Internet. The deal combines Compuware's specialty of application performance management software and Gomez's Web application platform.

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- **Extreme Networks Inc. will report fiscal first-quarter revenue short of Wall Street's expectations as its supply chain was constrained.** The provider of Ethernet networks for businesses and Internet service providers will have revenue of US\$66 million for the quarter ended Sept. 27. Some deals were nulled and others were delayed beyond the end of the quarter. Extreme does expect to report backlog and deferred revenue increased by about US\$6 million and total cash increased by about US\$3 million for the quarter.

## Europe

### *Mobile/ Wireless*

- **Carphone Warehouse PLC is certain of completing a de-merger by March 2010, as it reiterated full year guidance and had better-than-expected performance in both of its businesses.** The group has reshaped its business, spinning off its mobile phone retail offering into a joint venture with Best Buy Co. Inc and building a fixed line broadband business, TalkTalk, from scratch into the largest residential broadband provider in the U.K. following its recent acquisition of Tiscali U.K. The company is preparing to de-merge Best Buy Europe from TalkTalk and is increasingly confident of completion by the end of March 2010.

### *Telecommunications*

- **Alfa group and Telenor ASA will merge their telecommunications operators as they plan to end five years of legal battles by each taking just over a third of the new US\$26 billion company.** By combining OAO Vimpel Communications, with Kyivstar, they wish to settle the disagreements regarding the expansion of VimpelCom into Ukraine. The companies would have an expansion and a new legal framework that can less make future disputes; although Telenor had to accept that it cannot control both companies anymore. The dispute caused conflicts in New York, Ukraine and Russia which stopped the Kyivstar board in decision making. Alfa and Telenor planned to merge VimpelCom and Kyivstar, but the company wanted a larger controlling stake. Alfa disagreed to Telenor's order for control.
- **Swisscom AG is fixing its sights on its full-year targets in spite of the challenges of the ongoing recession and continued stiff competition.** The telecommunications operator has built up reserves and adapted its product offerings in case of a prolonged downswing in its markets of Switzerland and Italy. Swisscom aims at net revenue of up to 9.3 billion Swiss francs (US\$9.0 billion) in 2009. Swisscom would welcome a tie-up of mobile operators Sunrise, a unit of Denmark-based TDC A/S and Orange, a unit of France Telecom, in Switzerland. A partnership with Sunrise in Switzerland would be of importance. The Swiss regulator would allow such a move.
- **TeliaSonera AB had a deal with Spotify in order to increase its service offering and attract new customers.** TeliaSonera will widen Spotify's music service for computers, mobile phones and eventually television. Telia and Spotify will launch a mobile offering to customers in the Swedish market. TeliaSonera will make Spotify available on a number of new platforms. It will distribute the service on television some time next year by installing it in digital TV boxes. A number of companies across the telecoms sector will focus on their consumer content.
- **Telefonica SA pledged a 22 percent dividend increase next year and repeated its 2010 earnings forecast as the company seeks to encourage investors over its profit prospects among the recession.** The higher payment will prevent growth from slowing down amid shrinking economies at home, where the Spanish economy is mired in its worst recession in 60 years, and other markets



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including the U.K. The company will seek average annual revenue growth of 1 percent to 4 percent through 2012 and seek to boost its customer base by at least 27 percent to more than 320 million.

- **Credit-ratings agencies have affirmed their ratings for Telefonica de Argentina SA, which would buy back up to US\$100 million in face value of bonds.** Telefonica de Argentina, led by Spain's Telefonica SA, opened a tender offer to repurchase up to about US\$100 million, divided fairly between dollar- and peso-denominated bonds, out of its total debt of about US\$330 million in bonds. The offer is only due till October 22. The company might not obtain any sort of upgrades due to the risk of having a business in Argentina.
- **Stephane Richard replaced France Telecom's deputy Chief Executive Louis-Pierre Wenes as deputy CEO.** Olaf Svantee will still head European and Egyptian activities and Jean-Yves Larrousturou, another deputy CEO, still is the head of Africa, Middle-East, Asia and international development. France had almost half of the group's sales. The departure of Wenes would rebuild trust between the management and its employees. France Telecom will also extend the suspension of internal job transfers until the end of the year after the group would do so until Oct. 31.

## South Africa/Middle East/Latin America

### *Telecommunications*

- **The World Bank has endorsed a US\$215 million project to ramp up the availability and lower the cost of high-speed Internet access in 11 Central African countries.** Called the Central Africa Backbone Program (CAB Program), the first phase of the project, which will require US\$26.2 million in funding, will establish a connection between Cameroon, Chad, the Central African Republic and undersea backbone networks using existing fibre-optic cables deployed alongside the Chad-Cameroon oil pipeline. The second phase will involve up to US\$130 million in additional funding, and will include the Republic of Congo, Equatorial Guinea, the Democratic Republic of Congo, Gabon, Niger, Nigeria, São Tomé and Príncipe, and Sudan. The CAB Program aims to lower prohibitive telecoms costs in landlocked countries

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## Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 10/9/09)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2009	% Change 1/1/2008
Japanese yen	¥/US\$	89.7700	-0.02%	-2.8%	-2.7%	-20.2%
Hong Kong dollar	HK\$/ US\$	7.7495	0.0%	-0.003%	-0.01%	-0.7%
Chinese renmenbi	RMB/ US\$	6.8254	-0.01%	-0.02%	0.04%	-6.5%
Singapore dollar	S\$/ US\$	1.3954	-1.4%	-2.1%	-4.5%	-3.5%
South Korean won	KRW/ US\$	1,164.3000	-0.7%	-4.8%	-11.6%	24.4%
New Taiwan dollar	NT\$/ US\$	32.2900	0.4%	-1.1%	-1.5%	-0.6%
Australian dollar	US\$/A\$	0.9038	4.5%	4.9%	27.3%	3.3%
New Zealand dollar	US\$/NZ\$	0.7337	2.5%	5.5%	25.4%	-5.2%
Philippine peso	PHP/ US\$	46.5000	-1.1%	-3.6%	-1.5%	12.9%
Euro	US\$/€	1.4727	1.1%	1.7%	6.1%	0.1%
British pound	US\$/£	1.5834	-0.7%	-4.0%	9.0%	-20.5%

## Fixed Income Prices and Yields

Note	Currency	Current (on 10/9/09)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	104.44	4.28%	108.69	4.04%	102.95	4.32%
Japan 30-year	¥	100.45	2.19%	102.34	2.20%	101.34	2.21%
Hong Kong 10-year	HK\$	102.15	2.41%	102.45	2.37%	100.91	2.45%
China (06/16)	US\$	108.93	3.22%	108.93	3.22%	109.90	3.07%
Singapore 10-year	S\$	100.50	2.46%	101.00	2.40%	100.15	2.48%
South Korea 20-year	KRW	10,059.03	5.57%	10,014.14	5.60%	10,193.26	5.57%
Australia 15-year	A\$	103.77	5.31%	104.66	5.21%	103.03	5.40%
New Zealand (12/17)	NZ\$	102.95	5.63%	102.99	5.62%	102.08	5.66%
Philippines 20-year	PHP	103.48	9.32%	102.24	9.46%	103.04	9.16%
India 30-year	INR	83.35	8.53%	84.30	8.43%	84.54	8.23%
UK 30-year	£	111.72	4.10%	112.62	4.07%	109.45	4.17%
Germany 30-year	€	106.00	3.90%	106.98	3.87%	102.82	4.07%

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