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IRG Technology, Media and Telecommunications

and

Life Sciences Weekly Market Review

Week of 2 March 2010 – 7 March 2010

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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 (3/5/2010)**	**% Change 1 Week Ago**	**% Change 1 Month Ago**	**% Change 12/31/2009**	**% Change 12/31/2008**
S&P 500	1,138.70	3.1%	7.1%	2.1%	26.1%
Dow Jones Industrial Avg.	10,566.20	2.3%	5.6%	1.3%	20.4%
Dow Jones Tech. Index	399.75	3.2%	6.4%	-0.7%	59.0%
Dow Jones Telecom. Index	208.30	2.0%	2.0%	-5.1%	4.2%
NASDAQ Composite	2,326.35	3.9%	9.5%	2.5%	47.5%
Japan Nikkei 225	10,368.96	2.4%	0.1%	-1.7%	17.0%
JASDAQ	51.49	2.0%	1.1%	6.5%	6.8%
Japan Mothers	417.15	1.9%	2.4%	0.2%	29.0%
Korea KOSPI Composite	1,634.57	2.5%	1.1%	-2.9%	45.4%
Korea Kosdaq	511.28	0.8%	-1.0%	-0.4%	54.0%
Taiwan Stock Exchange	7,666.26	3.1%	1.6%	-6.4%	67.0%
Singapore Straight Times	3,050.02	1.8%	4.5%	2.0%	73.1%
Hong Kong Hang Seng	20,787.97	0.9%	2.2%	-5.0%	44.5%
Hong Kong GEM	750.35	1.2%	6.2%	10.8%	94.7%
China Shanghai (A-Share)	3,178.15	-0.7%	1.2%	-7.5%	66.2%
China Shenzhen (A-Share)	1,219.13	-1.0%	3.7%	-3.3%	109.6%
China Shanghai (B-Share)	252.45	-0.6%	3.3%	0.0%	127.6%
China Shenzhen (B-Share)	612.09	1.5%	4.5%	-2.2%	125.6%

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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

- **Smartphone penetration reached 40 percent across Southeast Asia in Q4 2009.** Singapore had the highest smartphone penetration at 77 percent and Vietnam had the lowest at 22 percent. Singapore, Hong Kong and Vietnam grew the fastest in 2009 with an average monthly traffic growth rate of 458 percent. Nokia continued to be the leading manufacturer in Southeast Asia with 52 percent of requests, followed by Apple with 15 percent and Sony Ericsson with 12 percent in Q4 2009. The remaining ten manufacturers accounted for 21 percent of traffic. Symbian OS is the most popular operating system in the region and accounted for 77 percent of smartphone requests in Q4 2009. The iPhone OS came in second with 19 percent of requests. Combined, they represented 96 percent of smartphone traffic in Southeast Asia. The Nokia N70 smartphone has a deeply entrenched position in Southeast Asia based on ad requests in December 2009.

Hardware

- **According to Gartner, global personal-computer shipments are likely to be about 20 percent higher this year than last year**. Shipments worldwide are expected to total 366.1 million units in 2010, with spending rising 12 percent to US$245 billion. In December, Gartner projected 13 percent shipment growth and a 1.9 percent spending increase. Gartner expects all regional markets to return to growth and show more normal seasonality this year, as the PC market is expected to remain robust. Many analysts and groups have forecast rebounding demand for information-technology products as the economy gets better. The iPad tablet has stoked industry discussion about tablet PCs and next-generation tablet devices.

Japan

Hardware

- **Masatoshi Matsuzaki, president of Konica Minolta Holdings Inc., unveiled its goal of achieving 50 billion yen (US$564.1 million) in annual sales from the business in five years**. The firm will invest 1.8 billion yen (US$19.9 million) in Konarka Technologies Inc., a U.S. manufacturer of organic thin-film solar cells. The partners are to work together to improve the performance of bendable solar cells, with an eye on establishing mass production technologies by fiscal 2012.

Semiconductor

- **Toshiba Semiconductor has signed an agreement with Nantong Fujitsu Microelectronics Firm Ltd. on the establishment of an assembly and test joint venture in China**. The two companies have signed a letter of intent on the formation of an assembly and test firm in China and the two parties will set up the JV in April 2010. Toshiba Semiconductor will hand over its manufacturing function to the new JV which is called Wuxi Tongzhi Microelectronics, while it will only perform the function of production management itself. Toshiba Semiconductor will hold 80 percent of the stake of the new firm and Nantong Fujitsu Microelectronics own the remaining 20 percent. The stake proportion between the two parties will be subject to changes with the development of the JV.

- **Elpida Memory Inc. will acquire the flash memory business of Spansion Inc. to combine the U.S. semiconductor maker's technology and that of Elpida's dynamic random access memories for the development of advanced products for use in smart phones.** Elpida is betting on high demand growth for modules featuring the high throughput of DRAMs and flash memory's ability to preserve data even after being powered down. Elpida will buy Spansion's assets, including its research and development facilities for NAND flash memories in Italy.

Telecommunications

- **NTT DoCoMo had the biggest net subscriber growth among its peers in February, regaining the top spot from Softbank for the first time in seven months**. The popularity of its data communication modems and discount billing programs helped lure customers. Japan's No. 3 wireless firm, Softbank, which has enjoyed subscriber growth thanks to Apple's iPhone handsets, had a net increase of 145,800 customers in the month.
- **The Nikkei reports that Softbank and Advantage Partners have agreed on a rescue blueprint for Willcom**. Under the agreement with Advantage Partners, Softbank and the investment fund will each provide 5 billion yen (US$55 million) in capital to a Willcom spin-off. Expected to focus on providing an enhanced PHS service, the spin-off is to raise an additional 5 billion yen (US$55 million) in capital from others. Advantage Partners will fully capitalise Willcom after the PHS service provider carries out a 100 percent capital reduction. The disagreement between Softbank and Advantage Partners has prevented the Enterprise Turnaround Initiative of Japan from making the financial decision on Willcom. The ETIC is expected to call a meeting shortly to decide Willcom's fate.
- **Nippon Telegraph & Telephone Corp. lowered its forecast for fiber- optic service subscribers to 2.1 million users for the year ending March 31.** The company aims to sign up 2.5 million new users to the service.

Korea

Telecommunications

- **SK Telecom Co. and two other rivals will cap their marketing spending at 20 percent of their annual sales in a bid to curb excessive competition**. The three mobile phone operators, including KTF Co. and LG Telecom Co, have been increasing promotional spending in the past couple of years to increase or maintain their customer bases in the local market, where more than 95 percent of people own a handset. SK Telecom had its first profit decline in three quarters during the last quarter of last year after increasing promotional spending.
- **South Korean has passed a bill that will allow companies not involved in the telecommunication industry to rent network capacity from existing operators.** These new providers would be known as MVNOs. The bill will take effect in September, and KCC will be drawing up criteria to select new operators. Industry observers say that emergence of more mobile service operators would intensify competition among the companies to lure customers, which could lead to enhanced service and lower fees.

Internet

- **South Korea's e-learning industry grew 11.8 percent on-year in 2009 despite a general slowdown in overall economic growth.** Sales of local e-learning businesses reached 2.09 trillion won (US$1.82 billion) last year, with the total number of service providers surging 19.5 percent to 1,368. The South Korean economy, hit hard by the global economic crisis, managed to pull off just 0.2

percent growth last year. The on-line educational and training market has grown an average of 10 percent annually since 2004, when the country started to support the e-learning industry in earnest, with the number of industry players rising 39.6 percent every year during the cited period.

Mobile/ Wireless

- **New mobile carriers may enter the South Korean telecom market starting in September without having to heavily invest in building their own networks**. There's a bill South Korea has passed that allows non-telecom companies to lease existing networks. Mobile virtual network operators (MVNO), which rent network capacity from existing telecom operators, are expected to increase competition in the domestic telecom market. South Korea is currently dominated by three operators namely SK Telecom Co., KT Corp. and LG Telecom Ltd.

Hardware

- **Samsung Electronics Co. wants to increase sales by 15 percent in 2010 and boost its margins through cost controls and a shift toward higher-end products.** Growth will come primarily from the launch of Samsung's first smart phone, the Wave, and a new range of flat-screen TVs, including 3D sets, as well as the consumer technology sales push that usually accompanies a soccer world cup. Samsung sold 54 million handsets in Europe in 2009, a 25 percent share of the market. It also sold 1.3 million LED TVs in Europe in 2009.

China

Internet

- **Baidu has signed an agreement to receive US$50 million from Providence Equity Partners to fund the creation of Baidu's new online video firm Qiyi**. Baidu will continue to hold majority ownership of the video firm. The video site will spend more than 200 million yuan (US$29.2 million) to buy copyright authorized video content and will not rule out the possibility of charging users in future. Qiyi currently holds copyrights to hundreds of films and thousands of TV series, and will ensure that all of the content it offers is authorized by the site's official launch in March. Qiyi will use an advertising model rather than an online shopping model and that the site is expected to break even in three years.
- **eLong booked net income of 1 million yuan (US$146 million) in the fourth quarter of 2009, 18 percent year-on-year**. Hotel commissions increased 7 percent year-on-year, driven by higher volume and partially offset by lower commission per room night, which decreased 9 percent year-on-year as the proportion of budget hotel bookings increased. Revenue from air ticketing commissions increased 44 percent on an annual basis.
- **Sina released financial results for the fourth quarter of 2009.** Net revenues decreased 3 percent year-on-year and increased 2 percent quarterly to US$98.19 million. Advertising revenues declined to 9 percent annually and 1 percent sequentially to US$63.19 million, while non-advertising revenues increased 9 percent year over year and 7 percent quarter to US$35 million. The firm had previously guided net revenues of between US$93 million and US$96 million. The firm had fourth quarter net income of US$372.11 million, after recognizing a one-time gain of US$376.6 million from the exchange of its subsidiary China Online Housing Technology Corporation for a 33 percent stake in newly listed China Real Estate Information Corporation.

Mobile/Wireless

- **Amoi Electronics Firm's net profit attributable to shareholders for 2009 was 697.62 million yuan (US$102 million**). Amoi's operating revenue decreased by 82 percent. The firm has the conditions for re-listing and its board of directors has submitted an application to the Shanghai Stock Exchange to recover the listing. Amoi was ordered to make reorganization by Xiamen Intermediate People's Court. In November, its bankruptcy and reorganization plan was approved by the court and the period for the reorganization was six months.

Telecommunications

- **China Telecom might have another meeting regarding the acquisition of the Hong Kong CDMA business of PCCW Ltd.** PCCW owns full network coverage of the CDMA business in the city. The company has no plans at present to purchase CDMA business from PCCW. China Telecom added 3.05 million CDMA mobile phone users in January this year, after it reported 3.1 million newly-subscribed users last December. By comparison, China Mobile saw its 3G subscribers reach 3.90 million in the same month.
- **Mobile broadband will overtake fixed broadband in China by 2014.** The primary drivers include growing demand for mobility, cheaper devices and attractive pricing strategies for MBB arising from operators' ambitious 3G growth plans. It had boosted from 30 million total connections in 2010 to 377 million in 2014. Full-scale competition in 3G began just last year in China, as the three operators began offering national coverage. China garnered 346 million broadband users and 129 mobile data users, according to MIIT figures. Laptops dominate connections. Extensive investment in Wi-Fi by city governments would be a threat to mobile broadband take-up in the low-end segment. The Chinese government has banned Wi-Fi chips from mobile handsets, but any relaxation of this ban can only increase the threat of Wi-Fi.

Media, Entertainment and Gaming

- **Giant Interactive Group Inc. Board Chairman and Chief Executive Officer Shi Yuzhu urgently calls for over 100 million yuan (US$14.6 million) worth of healthcare products under the aegis of his firm to back up the online game business**. Mr. Shi chooses healthcare products in a bid to seek innovative marketing measures.
- **Giant Interactive Group Inc. achieved operating revenues of 276 million yuan (US$40.4 million) in the fourth quarter of 2009, slipping 4.89 percent from a quarter ago and 21.83 percent from a year earlier.** Since the beginning of the year, the firm's operating revenues have been sliding for four consecutive quarters. Giant Interactive's operating profits reached 176 million yuan (US$25.8 million), dropping 8.3 percent from a quarter earlier and 17.7 percent from a year ago. Net profits dropped by 31.9 percent. In 2009, the firm's net slid 18.2 percent from a year ago. Giant Interactive's revenues from online games dropped 20.4 percent from a quarter ago and 22.2 percent from a year earlier. It canceled monetization features like Treasure Box within ZT Online in the third quarter. In the period, Average Concurrent Users (ACU) of Giant Interactive's online games reached 485,000, rising 14.0 percent from a quarter earlier and slipping 12.7 percent from a year ago. Peak Concurrent Users (PCU) hit 1.39 million, hiking 8.6 percent from a quarter ago and sliding 7.6 percent from a year earlier. Active Paying Accounts (APA) hit 1.138 million, climbing 2.7 percent from a quarter ago and slipping 11.8 percent from a year earlier, thanks to the promotion of ZT Online Green Edition, which lured more gamers.

- **Giant Interactive Group Inc. has been in contact with Uuu9.com, a game information site based in Xi'an, Shaaxi, west China, about acquisition.** Giant Interactive sends a bid of more than 200 million yuan (US$29.3 million) to Uuu9.com, according to an insider. However, the management from Uuu9.com hesitates and wants a higher price because they believe Uuu9.com will have higher growth potential in the future. Both sides have not yet reached a letter of intent on the acquisition. Giant Interactive talked with Uuu9.com about just cooperation, and their talks were not involved in the acquisition. Liu Liang, president of Uuu9.com, noted that both moves were focused on only deeper cooperation.
- **Perfect World withdrew from talks to acquire stake in Ourgame before the Chinese New Year holiday.** Talks failed due to Perfect World's concerns that Ourgame's business is inconsistent with Perfect World's focus on elite product development. Shanda plans to merge Ourgame with its Bianfeng casual game platform, setting up the merged entity as an independent business department. Perfect World had bought the 50 percent stake in Ourgame from NHN Corp. Shanda planned to acquire Ourgame and would make an official announcement in early March.
- **Shanda Interactive Entertainment Ltd. plans to enter the e-book market after acquiring several literature portals**. After carefully evaluating modes of Amazon.com, Sony, and Hanwang Technology Co., Ltd., it has named its own e-book brand as "Jinshu" internally, a top executive with Shanda Literature Ltd., a wholly-owned subsidiary of the US-listed firm, revealed on March 2. It owns complete literature industry chain and so far, Shanda Literature has had five large literature portals, which account for about 90 percent of the nation's online literature market. What it lacks currently is a terminal with good reading experience like Kindle of Amazon.
- **Shanda Interactive Entertainment Ltd.'s fourth- quarter profit boosted 13 percent to 369.3 million yuan (US$54 million)on surging sales after the firm offered a wider range of titles to lure players**. Shanda was expected to report profit of 397 million yuan (US$58 million). Revenue increased 49 percent. Shanda licensed games including Aion from outside developers to bolster revenue from in-house titles such as The World of Legend to win players from bigger rival Tencent. Online game sales in China, the world's biggest Internet market by users, boosted 30 percent.
- **Beijing Globallink Computer Technology Co., Ltd. (Ourgame), the former Chinese casual game leader, has been involved in rampant talks after the 2010 Spring Festival**. There were reports that NHN Corp., the majority shareholder of Ourgame, planned to withdraw its investment in the firm. NHN will respectively sell MMOs under operation, and then throw its shares in Ourgame for cash. Formerly. Three natural persons including Bao Yueqiao established Ourgame. After 2001, Searainbow Holding Corporation took a 79 percent stake in the firm. NHN purchased a 50 percent stake in Ourgame for US$100 million.

Software

- **Kingsoft Corp. Ltd. has signed a cooperation agreement with Asiasoft to launch the Thai version of its anti-virus software product Kingsoft Internet Security in Thailand.** This is the first time Kingsoft joins force with Asiasoft. Kingsoft will be responsible for the software and technical aspects whereas Asiasoft will be responsible for the sales and marketing of Kingsoft Internet Security (Thai Edition). The cooperation is a step forward of the Firm in capturing the Thai market subsequent to the launch ofits first FPS online game - MAT Online in the market in January 2008. MAT Online is the first FPS online game exported from China to the overseas market, and it has quickly become one of the most popular of its kind in Thailand. Through the success of MAT Online in Thailand, Kingsoft has gained a strong reputation in the country, which it believes will favor the launch of Kingsoft

Internet Security (Thai Edition). In addition to Thailand, the Firm has also extended its reach to other markets in Southeast Asia including Vietnam, Singapore, Malaysia and Taiwan.

Alternative Energy

- **Trina Solar generated US$49.2 million of net income in the fourth quarter of 2009, increased from US$40.1 million the prior quarter, with earnings per fully diluted ADS of US$0.74.** Revenue for the quarter reached US$313.3 million, an increase of 25.4 percent sequentially and 44.8 percent year-on-year, while shipments hit 163.7 MW. Gross margin was 32.6 percent in the fourth quarter of 2009. The firm had guidance of shipments of 145-165MW and gross margin of 25-27 percent.
- **LDK Solar has reached an agreement to pay a total of US$16 million, roughly 5 percent of alleged damages, to settle a securities class action lawsuit in the U.S. District Court of Northern California.** LDK submitted the proposed settlement to the court on February 16, 2010, after more than two years of litigation; the settlement will not be final under the class is notified and the court grants final approval. The settlement agreement expressly states that the defendant has not been found to have committed any wrongful act. The first filed complaint was about a series of false and material misrepresentations to the market which artificially inflated the firm's share price between August 1 and October 3, 2007. LDK's share price declined by almost 25 percent. LDK had overstated its polysilicon inventory by 25 percent.

Taiwan

Telecommunications

- **Taiwan's Ministry of Economic Affairs (MOEA) has approved an investment plan by China Mobile Communications Corp.** The plan involves setting up an affiliate in Taiwan to run an electronic components wholesale business, but the Chinese telecommunications giant is not allowed to buy a stake in Taiwan's Far Eastone Telecommunications Co. The government has not opened the telecommunications sector to Chinese investors. The telecommunications sector was not included in the list of sectors that Taiwan's government would allow Chinese investments in. the ministry is considering allowing investments in public infrastructure projects, but they are not considering do so for the telecommunications sector. When China Mobile's plan to invest in Far Eastone was first had last summer, it raised worries in Taiwan, and the MOEA was quick to express its concern to Far Eastone's management. Through its affiliate in the Netherlands, Zong B.V., China Mobile applied for approval to set up an affiliate in Taiwan. The commission approved China Mobile's application for operating an electronic components wholesale business here.
- **Chunghwa Telecom Co. plans to increase its capital expenditure to more than NT$30 billion (US$936 billion) this year, mostly to expand its optical-fiber networks**. Chunghwa Telecom's capital expenditure was NT$28 billion (US$873 million) in 2009 and plan to invest NT$13.5 billion (US$421 million) in fiber optics this year. The firm had 15.1 million optical-fiber subscribers as of October and expects to add 10 million optical-fiber subscribers in 2010.
- **The Taiwanese telecommunications equipment industry is forecast to see its revenues increase by an annual rate of 15.1 percent, due to the recovering global economy**. Last year revenues in the telecommunications equipment industry declined by 16.9 percent year-on-year. Personal mobile devices such as mobile phones and GPS devices are forecast to make up half of the revenues this year boosted by 19.2 percent from a year earlier. The network communications segment

is expected to see revenues rise 9.9 percent, due to strong demand in emerging markets (including China).

Hardware

- **Compal Electronics forecasts little growth in shipments in the first and second quarters, raising questions over the strength of demand**. The firm, which together with bigger rival Quanta Computer manufactures more than half of the entire world's laptop PCs for clients such as HP and Dell had a record profit for Q4 as demand recovered. Shipments in the second quarter would be little changed from those in the first, which in turn would be flat or as much as to 5 percent lower than the fourth quarter. Compal's figures give a clue to the sector's health and demand from top brands such as Lenovo and Acer. There are several clouds over the outlook for PC makers. In the long term, Microsoft's launch of its Windows 7 operating system is expected to give the PC sector a boost, as companies still running older versions of the software replace their ageing PCs.

Semiconductor

- **MediaTek Inc. has won contracts from mainland Chinese handset makers ZTE Corp. and Beijing Tianyu Communication Equipment Co., Ltd. for its 3G WCDMA chips.** Although the procurement volumes were insignificant, the deals marked MediaTek's major breakthrough in the WCDMA-chip market, which has long been commanded by Qualcomm. MediaTek's executives estimated the firm's tremendous shipments of the chips would appear in the second half of this year. The firm recently projected 3G chips to account for around 10 percent of the firm's total shipments of cellphone chips throughout this year, boosted from 5 percent it forecast in January this year. MediaTek's chairman, M.K. Tsai once conceded in an internal letter that in the past his firm never encountered such a formidable competitor as Qualcomm in 2G/3G chip market. He was confident of narrowing the competition gap.

Hong Kong

Telecommunications

- **Pacnet has a US$300 million strategy to turn up to 10 of its cable landing stations into data centers.** This will transform its cable landing stations into Data Landing Stations. The strategy is enabled by the emergence of new IP over fiber technology. Pacnet operates cable landing facilities in China, Hong Kong, Korea, Japan, Philippines Singapore, and Taiwan. If the data centers inside the cable landing station will be present, costly backhauls will be reduced. Each of the facilities will be supported by 10 Terabits of capacity. The operator is already selling the capacity for the sites. The first three Data Landing Stations will come from online.
- **Hutchison Telecommunications International Ltd. wiped away roughly US$97 million in profit from its 2008 financial results at the prodding of U.S. regulators, a move its parent firm said wouldn't affect its US$545 million offer to take full control of the unit**. The move, disclosed as Hutchison Telecom had its 2009 financial results, comes as a result of questions raised by the U.S. Securities and Exchange Commission over how the firm accounted for the US$500 million sale of tower stations in Indonesia. Last month, Hutchison Telecom unexpectedly delayed releasing its 2009 results, citing the SEC inquiry. The dispute had raised concerns that it could cause trouble for the offer by its parent, Hutchison Whampoa Ltd., to purchase the roughly 40 percent stake in Hutchison Telecom it doesn't already own. The deal is being closely watched as a glimpse into the investment

strategy of Li Kai Shing, Hong Kong's richest man and controller of a sprawling global empire that includes everything from ports to drugstores.

- **Hong Kong telecommunications firms are still undecided on the recently released mobile TV spectrum**. Regulator Ofta will offer UHF frequencies in the 678-686 MHz band for mobile TV and datacasting services. CSL Hutchison, were still considering whether to bid on the frequencies in the auction in May.
- **SmarTone Telecommunications saw its revenues slip in the first half ended 31 December while net profit boosted**. Revenues fell by 7 percent, while service revenues slipped by 2 percent. EBITDA boosted 7 percent, as a result of the reduction in interconnection charges and cost control measures. Net profit boosted 112 percent. The group's results included two non-recurring items comprising of accelerated depreciation and impairment loss in respect of fixed assets at its Macau operations and deferred income tax credit. Excluding the impact of these two items, operating profit grew by 49 percent and profit grew by 69 percent.

Singapore/Malaysia/Philippines/Indonesia/India

Telecommunications

- **Bharti Airtel will undergo another organizational restructuring following an earlier restructure announced in January.** Dr Jai Menon who is presently Group CIO, Bharti Enterprises and Director-Technology. The organizational reshuffle announced earlier will now be effective March 01, 2010 as opposed to earlier announced dates of April 01, 2010. Amrita Gangotra who is currently, CIO, Mobile Services, Bharti Airtel will take over as Director - IT, Bharti Airtel (India and South Asia) and will report to Sanjay Kapoor. The new structure announced will be effective April 01, 2010.
- **Pilipino Telephone Corp.'s net profit in 2009 surged 57 percent, boosted by a one-off gain from the divestment of its cellular assets and a mark-to-market gain from derivatives linked to its notes used for the acquisition of shares in power distributor Manila Electric Co**. The gain on the sale of mobile telephone business assets was PHP7.6 billion (US$165 million), while gains from derivative assets reached PHP1.2 billion (US$26 million). The net profit was also boosted by the reduction of the corporate income tax to 30 percent from 35 percent. Piltel had core profit, which excludes one-off items, declined to PHP8.7 billion (US$189 million).
- **Smart Communications Inc. launched SurfTV, a product that the cellular unit Philippine Long Distance Telephone Co. (PLDT) hopes will help drive further growth of its broadband service since it allows subscribers to access the Internet by using their television sets**. Local telecommunications companies are banking on broadband service as the next growth driver since cellular penetration was already 75 percent at the end of 2008. Only 18 percent of Philippine households have either laptops or computers. The SurfTV was test-marketed in low-income households in the provinces but the service is available in all 400 major Philippine cities and towns covered by Smart's 3G wireless broadband service. Smart has initially placed an order of 25,000 units of the plug-and-play SurfTV set up box.
- **Philippine Long Distance Telephone Co. (PLDT) bucked the weak economy in 2009, posting a record net profit of PHP39.78 billion (US$865 million), helped by a lower income tax rate and the strong growth of its cellular and broadband businesses.** Yet despite the bullish forecast for the economy this year, PLDT is less sanguine on its outlook, citing negative factors like stiff competition, continued tight consumer spending and the threat posed by social networking sites.

Many in the market are bullish for PLDT this year, specially with the projected economic recovery and usual boost provided to consumer spending by national elections scheduled on May 10. PLDT's net profit last year boosted 15 percent, helped by a cut in the corporate income tax to 30 percent from 35 percent and the steady growth of its cellular and broadband businesses despite the weaker economy last year as it introduced more affordable cellular products and services.

- **Telstra Corp. is very concerned by draft legislation released by the Australian government.** In the draft legislation, the government raised the prospect for the first time of NBN Co. The company set up by the government to run the planned high-speed broadband network--becoming a government-funded retailer, not just a wholesale network provider. The draft legislation, which can be changed before being enacted, comes as Telstra continues to negotiate the potential sale of some of its network assets to NBN Co. Price will be a key sticking point in any deal. There is no deadline for talks on whether Telstra's assets will go into the new internet network.
- **Nielsen finds boosting numbers of Australian internet users are willing to pay for some forms of online content, but only on a selective basis**. Polling 500 Australian consumers as part of a global survey across over 27,000 respondents, the firm found more than half ready to pay for online movies but enthusiasm much lower for paid user generated content such as blogs or social communities. 51 percent of respondents would consider paid online movie content and 49 percent would pay for books. But just 9 percent of the Australians were ready to pay for blogs, 16 percent for consumer generated video, and 14 percent for social communities. 78 percent are not ready to pay for internet-only news sources.
- **Digi.Com Bhd. signed an agreement to sell Apple Inc.'s iPhone in Malaysia to tap growth in a market that it forecasts will surge 10-fold in five years**. The three-year agreement will help Digi increase sales more than 5 percent cent this year, higher than the industry average. Digi's sales boosted 2 percent last year, slowing from 10 percent in 2008 as Malaysia's economy shrank 1.7 percent. The government forecasts economic growth of more than 4 percent this year. The deal will end Maxis Communications Bhd.'s monopoly on selling iPhones in Malaysia. Phone companies are focusing on data sales in the nation of 27 million people as smartphones become increasingly popular to access the Internet. Malaysia has more mobile phones than people.
- **Malaysia's broadband penetration is now 34.2 percent and the nation is on schedule to reach its 50 percent target by year end, according to Information, Communications, Culture and Arts Minister Datuk Seri Dr. Rais Yatim.** He had met with executives at telecommunications giant Telekom Malaysia to discuss ways of improving the quality and reliability of broadband in both urban and rural areas. Rais stressed that the newly created Internet civilization should come at a cost that society can afford.
- **Phuthuma Nhleko of MTN Group Ltd. is set to step down as president and chief executive officer after eight years at the helm of a firm he helped build into Africa's largest cellphone network operator.** The firm's board has launched the process of hiring a successor. Nhleko had decided not to renew a contract that comes to an end June 30 but will continue in his role up to March 2011. Nhleko, who practized as a civil engineer before joining Standard Merchant Bank's corporate finance team in 1991, has been MTN's CEO since 2002. MTN launched in 1994, the same year Nelson Mandela took office as president with the end of apartheid in South Africa.

United States/Canada

Mobile/Wireless

- **Sprint Nextel Corp. tweaked its short-term incentive plan for executives to focus less on winning over new customers and more on generating better service revenue**. The largest factor in the firm's plan lies in its net service revenue, which accounts for 45 percent of the total measurement used to determine the incentives. Revenue was previously not a priority for the firm. Executives would also be judged by its ability to keep its customers that tend to sign long-term contracts, adjusted operating income before depreciation and amortization, as well as adding customers to its fourth-generation, or 4G, WiMax network, run by Clearwire Corp. Eligible employees are reviewed on a semi-annual basis. The focus on higher revenue suggests the firm may be backing off on aggressive pricing plans to draw new customers, instead focusing on its existing base.
- **Level 3 Communications, Inc. has been selected by CCP, a massively multiplayer online gaming (MMOG) company, to provide content delivery network (CDN) services to support the company and its game titles, including the award-winning sci-fi fantasy game Eve Online.** Level 3 will provide CCP with Caching and Download, Origin Storage, and Content Analytics. Level 3's Content Analytics is a reporting component of the Level 3 Media Portal and gives CDN customers access to rich data on traffic delivery patterns and Web site audiences. Founded in Reykjavik, Iceland, CCP has a number of international offices, including locations in the U.S., China and the United Kingdom, and serves gaming customers all over the world.
- **Mexico's wireless industry defied last year's deep recession to expand its combined wireless subscriber base 6.7 percent to 83.2 million at the end of December.** The industry added 1.8 million new subscribers during the fourth quarter, boosted from 947,000 the previous quarter, but lower than the 2.2 million added in the fourth quarter of 2008. Mexico's gross domestic product shrank 6.5 percent last year due in large part to a collapse in trade as a result of the recession in the U.S., buyer of 80 percent of Mexico's exports. The Finance Ministry earlier this month raised its 2010 growth estimate to 3.9 percent from 3 percent, and some independent projections are above 4 percent as Mexico benefits from a recovery in the U.S. economy. Mexico's wireless penetration rate boosted four percentage points on the year to 75 percent as of Dec. 31, much lower than the average for Latin America.

Media, Entertainment and Gaming

- **Activision Blizzard Inc. was sued by the executives who created the "Call of Duty" franchise, after the video-game publisher fired them on false insubordination charges to avoid paying royalties**. Jason West and Vince Zampella, who co-founded Activision's Infinity Ward studio, sued the firm in Los Angeles Superior Court, claiming breach of contract and wrongful termination. They seek at least US$36 million and control over "Modern Warfare," a subset of the "Call of Duty" combat games. Activision conducted a pretextual investigation to fire the Infinity Ward co-heads and avoid making a royalty payment due on March 31. The firm formed a new unit to run the "Call of Duty" franchise, naming Philip Earl to lead the unit. West and Zampella oversaw creation of the World War II video-game "Call of Duty" and "Modern Warfare" sequels set in later periods. "Call of Duty" titles have generated about US$3 billion in revenue.
- **RealNetworks Inc. will pay US$4.5 million and drop its appeal of a court order barring sales of its DVD-copying software to settle a lawsuit by Walt Disney Co. and other Hollywood movie studios claiming the technology violates copyright-protection laws**. RealNetworks will also

refund about 2,700 customers who bought RealDVD, a US$30 software program that allows users to save one backup copy of a movie to a computer hard drive. The US$4.5 million payment to the studios for costs and attorneys fees will be reflected in financial results for the quarter ended Dec. 31. U.S. District Judge Marilyn Patel in San Francisco ruled in August that RealDVD circumvents copyright-protection laws and granted movie studios' request for an order permanently banning the product's sale.

Telecommunications

- **Axtel SAB plans to make capital expenditures for about US$200 million this year, including up to US$35 million in a fiber-optic project.** The firm will deploy fiber-optic cabling in Mexico City, Monterrey, Guadalajara, and Puebla with a view to providing high-speed data services to a potential market of 300,000 customers. The firm is also looking at different options, including a commercial agreement with a third party, to sell satellite TV services starting in the second half of the year. Canales forecast 100,000 to 120,000 net line additions this year, as well as 20,000 to 25,000 new broadband accounts each quarter.
- **Cofetel had its sector index boosted 16.5 percent in the fourth quarter as growth in telecommunications services outpaced the overall economy**. The telecommunication services index expanded 13.8 percent in 2009, led by gains in mobile telephony and satellite TV. Gross domestic product shrank 2.3 percent year-on-year in the fourth quarter and contracted 6.5 percent for the full year as the global crisis caused Mexico's economy to enter its deepest recession in more than a decade. Economists widely expect the economy to grow 4 percent this year as a recovery in the U.S. boosts Mexico's exports. Mobile telephony, domestic long distance, trunking, satellite, and pay-TV services grew the most in the fourth quarter, while paging, fixed-line telephony and international long distance had declines. 1.27 million fixed telephone lines were disconnected during the fourth quarter. At the end of December, there were 19.42 million fixed lines in service, equivalent to 18 lines for every 100 inhabitants.

Internet

- **Google Inc. may release a huge amount of money for its trial for broadband service that offers Internet speeds 100 times faster than current networks.** The cost will rely on the demographics and the lay of the land and the number of households that use it. Google is improving to show the potential of high-speed Internet service. It aims to ensure that networks are open to different software and technologies, rather than the ones picked by service providers. Google plans to build a fiber-optic network with speeds of 1 gigabit per second, or about 20 times faster than some of the fastest connections offered by Verizon Communications Inc.
- **Yahoo Inc. is focused on making small acquisitions that open the door to new audiences, give the firm new analytic tools and expand its geographic reach**. The firm will divest noncore assets. Yahoo was interested in small deals for companies with fewer than 100 employees.

Semiconductors

- **Qualcomm Inc. Chief Executive Paul Jacobs sees the number of wireless chip providers shrinking either through consolidation or players disappearing.** Jacobs sees Qualcomm taking share in the crucial market for third-generation, or 3G, wireless chips. The firm would continue to apply pressure on its rivals on the pricing and technology end. On mergers and acquisitions, Jacobs was asked whether he would buy ARM Holdings PLC to take out a competitor in the business of providing microprocessors for smart phones. Competition is good for Qualcomm. He doesn't want his firm turning complacent, and competition ensures the business doesn't go stale. Qualcomm is vying for business in the microprocessor business with its Snapdragon processor, which has begun to make its way into devices such as Google's Nexus One smart phone, as well as netbook-smart phone hybrids called smartbooks.

Software

- **Microsoft Corp.'s business-software unit expects to get at least US$1 billion from Web versions of its Office and e-mail programs in the next three to five years.** Microsoft's customers for e-mail and collaboration software will switch to cloud versions of the programs, which are stored and run from Microsoft's server farms. Microsoft can increase profit at the unit. The firm is preparing its first Web-based versions of word-processing and spreadsheet software to match Google, which is trying to steal Microsoft's corporate customers and win over consumers. Microsoft is also pushing cloud versions of its Exchange e-mail program and SharePoint, which allows employees to work together on projects and set up corporate Web sites.
- **VMware Inc. will pay its parent EMC Corp. up to US$200 million for certain software and expertise from EMC's Ionix IT management business.** The efforts are intended to help VMware's cloud-computing efforts, a fast-growing technology space. The firm dominates the market in virtualization technology that allows one computer to do the job of multiple computers, which helps companies cut costs. The deal is set to close in the second quarter and will not have a material impact on either firm's 2010 forecast. VMware's profit dropped 49 percent on higher research and development costs, which lowered operating margins. EMC had a 58 percent earnings jump amid prior-year charges as the storage-product maker also had earnings above analysts' expectations.

Hardware

- **Apple Chief Executive Steve Jobs defended the firm's huge cash holdings, saying the consumer electronics giant had no plans to pay a dividend and prefers instead to expand its reserves for future use.** Shareholders re-elected Jobs and Apple's board of directors, which includes former Vice President Al Gore, Genentech Inc. Chairman Arthur Levinson and Avon Products Inc. Chief Executive Andrea Jung. The election comes just before the firm's iPad, a tablet computer that has been the object of much commentary in the technology press, goes on sale. The vote also comes after a shake-up of Apple's board last August when Google CEO Eric Schmidt stepped down. The Internet search firm has begun selling its own mobile phone that competes with one of Apple's key products: the iPhone. Jobs defended Schmidt when asked by a shareholder if the Google chief had behaved properly when serving as an Apple board member.
- **Apple Inc. sued HTC Corp., which makes a number of smartphones using Google Inc.'s Android mobile software, over alleged patent violations, representing the latest legal salvo in the wireless industry.** Apple accused HTC of violating 10 patents in a lawsuit with a federal court in Delaware, and 10 patents with the U.S. International Trade Commission. The complaint covers the touch-screen control, hardware and software, and seeks to ban the sale of phones such as the Nexus One, sold directly by Google, as well as phones using Microsoft's Windows Mobile devices. The lawsuit underscores the competitive environment facing smartphone makers, both in the courtroom and in the marketplace.

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Europe

Media, Gaming and Entertainment

- **The BBC is set to close half of its Web site, cut spending on imported U.S. programs and close two radio stations in an admission it has become too large.** BBC will concede and give space to its commercial rivals which have been hard hit by an advertising downturn during the recession. The British Broadcasting Corporation, funded by the license fee levied on all those in the U.K. who own a television, regularly comes under fire from rivals and other critics for its alleged unfair dominance. BBC will cut its Web site pages by half, backed by a 25 percent cut in staff and budget. It will further close digital radio stations 6 Music and Asian Network and close outlets that target the teenage market, leaving the area free for rivals.
- **Kabel Deutschland which plans to publicly float its shares, is worth between 5.7 billion euros (US$7.8 billion) and 6.6 billion euros (US$9.2 billion).** The equity capital of the firm makes up between 3.1 billion euros (US$4.2 billion) and 4 billion euros (US$5.4 million) of this value and net debt amounts to around 3 billion euros (US$4.08 billion). Market participants point to growth opportunities for the German cable network provider as a reason for the higher valuation. The market on which Kabel Deutschland is active is noted for being attractive and underdeveloped, and offers potential for sales growth and a higher cash flow through selling additional television, telephone and Internet products.
- **British Sky Broadcasting Group PLC (BSkyB) will create more than 550 jobs at a new customer service center in Stockport, northwest England**. BSkyB will open new customer services enter at the end of June to meet the increased demand for its award-winning TV, broadband and home phone services. The firm has 9.7 million customers in the U.K. and Ireland. The creation of jobs comes as councils across the U.K. plan to cut thousands of jobs to save money. With the exception of food retailers, most companies have been cutting jobs during the economic downturn. BSkyB had entered 2010 in a good position as it had an increase in fiscal first-half earnings and sales as more customers signed up for its pay-TV, Internet and telephone services and as existing users upgraded to high definition.
- **Vivendi SA expects further growth in adjusted earnings before interest and tax in 2010 as it had expectations beating fourth quarter profits and met its 2009 target**. The owner of Universal Music Group has observed a solid start of 2010 across markets and expects particularly strong growth this year in Brazil, where it acquired control of telecom operator GVT Holding S/A at the end of last year. Vivendi, which last year will sell its 20 percent stake in NBC Universal for US$5.8 billion, continues to look for more purchase opportunities in emerging markets to boost future growth.
- **BT has been criticized over its plan to force rivals to help plug the former state-owned telecom monopoly's 8.8 billion pounds (US$13.3 billion) pension fund deficit**. BSkyB, Carphone Warehouse and Cable & Wireless yesterday attacked proposals to allow BT to increase its wholesale prices by 4pc. BT paid its shareholders higher dividends at the expense of adequately funding its pension scheme. The extra charge would result in a substantial transfer of wealth from end customers to shareholders of a highly profitable company. The pension scheme has performed consistently in line or above benchmark schemes over a number of years.

Telecommunications

- **Belgacom SA had a 2 percent decline in fourth-quarter revenue, but forecast strong growth for 2010.** Belgacom expects to increase group revenue this year by 8 percent. The growth estimates include fully consolidated earnings from Belgacom's new International Carrier Services, or BICS, division. Without BICS' high-turnover, relatively low-margin business, the revenue estimates for 2010 would have been in decline 2 percent, mainly due to increasing regulation. Belgacom expects its EBITDA to drop to within a range of 30 percent to 31 percent, after achieving a margin of 32.6 percent last year.

- **Portugal Telecom SGPS SA's net profit boosted to 312 million euros (US$424 million). Revenue boosted 6.7 percent, while EBITDA increased 5.6 percent.** PT's earnings were positive and the firm's Portuguese results were slightly above its expectations. BPI would raise its consensus for Portuguese mobile and most of the firm's international operations. European telecommunication companies, including PT, are facing stagnant revenues as customers scale back on spending during the financial crisis and migrate to low-cost operators to limit spending. PT has to spend more in the quarter to compete and attract customers.
- **Deutsche Telekom AG expects cost savings from its U.K. joint venture with France Telecom despite some conditions the European Commission asked for when clearing the deal earlier**. The European Commission approved Deutsche Telekom's and France Telecom's mobile joint venture in the U.K., provided the companies divest radio spectrum and continue to share a mobile network with a competitor.
- **Telefonica O2 Czech Republic AS, or T-O2, plans to continue paying out all free cash from its balance sheet as dividends but doesn't expect major non-recurring items to boost the payout in coming years.** T-O2, majority owned by Spain's Telefonica SA, had a full-year net profit of CZK11.67 billion (US$606.9 million). While the net profit boosted annually, the firm slashed its dividend to a proposed 40 koruna per share on 2009 earnings from the CZK50 (US$2.6) dividend paid on 2008 profits. Analysts were expecting a dividend of at least CZK45 (US$2.4). T-O2's cash flow in past years was helped by non-recurring items such as real estate sales that boosted dividend payouts. The telecom operator had looked at upcoming capital expenditure needs, as well as the tax and legal context, and deemed that a larger payout is not feasible.
- **Germany's smallest mobile network provider O2, a unit of Telefonica SA, had a stable service revenue of 729.4 million euros (US$993 million) in its fourth quarter, level with market leader Deutsche Telekom and outperforming its two other competitors Vodafone PLC and Royal KPN NV's E-Plus**. Deutsche Telekom had its fourth-quarter mobile service in Germany increased 0.2 percent. Vodafone had a 4.9 percent decline and E-Plus a 1.3 percent decline in their mobile service revenue in the October to December quarter. O2 Germany had monthly average revenue per user was 15.30 euros (US$20.8) in the fourth quarter declined 9.2 percent on cheaper rate plans and a cut in termination fees. O2 Germany also had its mobile subscriber base boosted 9.6 percent and stood at 15.79 million as of Dec. 31.

South Africa/Middle East/Latin America

Telecommunications

- **Tata Communications will make US$200 million into its operations in the Middle East and this will go to the Gulf cable network.** Construction is due to be completed in 2H11. It will invest in six new Telepresence rooms in Middle East and Africa due to open by end-2010. The carrier shall launched its second South African data center in Cape Town later this month. Demand for voice and Internet access in South Africa is still high.

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Other Economic Data

Currency Exchange Rates						
Currency	**Units**	**Current Rate (on 3/5/10)**	**% Change 1 Week Ago**	**% Change 1 Month Ago**	**% Change 1/1/2010**	**% Change 1/1/2009**
Japanese yen	¥/US$	90.2800	1.5%	1.5%	-2.8%	-2.1%
Hong Kong dollar	HK$/ US$	7.7621	0.004%	-0.1%	0.1%	0.2%
Chinese renmenbi	RMB/ US$	6.8260	0.003%	-0.03%	0.001%	0.1%
Singapore dollar	S$/ US$	1.4017	-0.3%	-1.3%	-0.3%	-4.1%
South Korean won	KRW/ US$	1,136.0000	-2.0%	-0.9%	-2.4%	-13.7%
New Taiwan dollar	NT$/ US$	31.8700	-0.8%	-0.7%	-0.3%	-2.7%
Australian dollar	US$/A$	0.9076	1.4%	5.1%	1.2%	27.8%
New Zealand dollar	US$/NZ$	0.6965	-0.2%	1.5%	-3.8%	19.1%
Philippine peso	PHP/ US$	45.9000	-0.4%	-1.2%	-1.2%	-2.8%
Euro	US$/€	1.3620	0.0%	-0.8%	-4.9%	-1.8%
British pound	US$/£	1.5140	-0.6%	-3.9%	-6.3%	4.2%

Fixed Income Prices and Yields							
Note	**Currency**	**Current (on 3/5/10)**		**1 Week Ago**		**4 Weeks Ago**	
		Price	**Yield**	**Price**	**Yield**	**Price**	**Yield**
US 30-year	US$	99.66	4.70%	101.06	4.61%	97.11	4.55%
Japan 30-year	¥	97.97	2.31%	98.10	2.30%	97.76	2.33%
Hong Kong 10-year	HK$	94.26	2.86%	93.96	2.90%	92.29	2.99%
China (06/16)	US$	109.38	3.05%	109.23	3.08%	108.76	3.18%
Singapore 10-year	S$	98.50	2.70%	98.50	2.70%	99.61	2.55%
South Korea 20-year	KRW	10,511.49	5.26%	10,316.06	5.41%	10,072.54	5.51%
Australia 15-year	A$	102.07	5.50%	101.78	5.53%	101.15	5.61%
New Zealand (12/17)	NZ$	101.95	5.84%	101.70	5.88%	100.72	5.90%
Philippines 20-year	PHP	102.86	9.39%	102.88	9.38%	102.43	9.22%
India 30-year	INR	82.40	8.65%	82.40	8.65%	81.57	8.56%
UK 30-year	£	94.79	4.63%	94.77	4.63%	97.65	4.39%
Germany 30-year	€	114.44	3.92%	115.97	3.86%	105.93	3.93%