



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

Week of 17th May 2010 - 23rd May 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 (05/21/2010)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2009	% Change 12/31/2008
S&P 500	1,087.69	-4.23%	-10.65%	-2.44%	20%
Dow Jones Industrial Avg.	10,193.39	-4.02%	-9.02%	-2.27%	16%
Dow Jones Tech. Index	379.39	-5.29%	-12.17%	-5.81%	51%
Dow Jones Telecom. Index	190.49	-2.58%	-10.12%	-13.18%	-5%
NASDAQ Composite	2,229.04	-5.02%	-11.90%	-1.78%	41%
Japan Nikkei 225	9,784.54	-6.48%	-10.36%	-7.21%	10%
JASDAQ	50.04	-7.37%	-10.18%	3.52%	4%
Japan Mothers	398.14	-12.69%	-19.91%	-4.38%	23%
Korea KOSPI Composite	1,600.18	-5.63%	-7.88%	-4.95%	42%
Korea Kosdaq	481.06	-8.37%	-6.86%	-6.37%	45%
Taiwan Stock Exchange	7,237.71	-6.88%	-9.58%	-11.64%	58%
Singapore Straight Times	2,701.20	-5.39%	-9.61%	-9.69%	53%
Hong Kong Hang Seng	19,545.83	-2.98%	-8.00%	-10.67%	36%
Hong Kong GEM	742.11	-11.35%	-15.62%	9.67%	93%
China Shanghai (A-Share)	2,709.47	-4.17%	-13.37%	-21.19%	42%
China Shenzhen (A-Share)	1,058.64	-2.94%	-16.30%	-16.05%	82%
China Shanghai (B-Share)	205.39	-8.34%	-21.55%	-18.65%	85%
China Shenzhen (B-Share)	529.56	-6.58%	-14.39%	-15.39%	95%

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Weekly Highlights

International

Hardware

- **Research firm Gartner expects the global server sales to grow at a CAGR of 5.5% in volumes and 2.4% in revenues between 2010 and 2014.** Sales had fallen by 16.5% in 2009, as enterprises cut down on expenditure on IT to survive and battle the recession. Gartner, however, anticipates major energy management challenges for data center managers in the next few years. Data center power, cooling and space issues had posed multiple problems, especially in emerging economies, even in the depressed economic environment in the last two years, but are expected to become major management problems going forward. Major server companies like IBM, Dell, Oracle and Hewlett-Packard have already unveiled a new generation of energy-efficient server products, which are expected to generate returns in only a few months due to lower power and cooling costs.

Japan

Telecommunications

- **Forval Telecom, a company focused on providing VoIP, Audio and Documentation services to the corporate sector, announced revenues of 13.9 billion yen (US\$155 million) and net profit of 194 million yen (US\$2.1 million) for the full year ended March 31st, 2010.** The figures reflect a fall of 7.2% and increase of 46.1% respectively over the last year. The company's operating margin fell by 11.4% to 347 million yen (US\$3.8 million). For the current year, the company expects revenues of 14 billion yen (US\$155.5 million) and net income of 200 million yen (US\$2.2 million).

Internet

- **Hikari Tsushin, a diversified conglomerate with interests in the internet, telecommunications services and equipment industries, announced full year net income of 755 million yen (US\$8.3 million) and revenues of 349.1 billion yen (US\$3.8 billion).** The figures compare with net loss of 1.0 billion yen (US\$11 million) and revenues of 333.7 billion yen (US\$3.7 billion) last year. Hikari focused on expanding its nationwide sales network and customer service capabilities during the year even as the difficult economic environment affected the purchasing capabilities of its customers. The group forecast a 6% increase in revenues and 77.5% increase in net income for the current year, based on a recovery in its main businesses.
- **Softbank, the internet and telecom giant, announced plans to set up an Asian joint venture with Ustream, a provider of live video services with over 100 million monthly viewers, mainly in the U.S.** The joint venture will be called Ustream Asia and will be 60% owned by Softbank subsidiary TV Bank, 32% by Ustream and 8% by U.S. venture capital firm DCM. The joint venture will offer a service that will allow users to redistribute live video captured on mobile handsets, on the internet. Ustream will first launch the service in Japan, followed by Korea, China and possibly India. Softbank had previously invested US\$20 million in Ustream in January and is all set to invest another US\$10 million in June. In related company news, Softbank unveiled new mobile handsets with built-in applications to access Twitter, the micro-blogging service. The move is aimed at making it easier for people to 'tweet' or post comments of the application through their mobile phones. Japan is a rapidly growing market for Twitter, although mobile access to the platform is currently limited mainly to

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iPhone users. Incidentally, this news announcement was streamed live through UStream, its new video service.

- **Leading online mall operator Rakuten announced the acquisition of Buy.com Inc. in a deal worth US\$250 million.** The announcement is part of the company's initiative to establish itself internationally and represents its first foray into the U.S. market. Buy.com had revenues of US\$62.5 million in 2009 and a client base of 14 million for its e-commerce operations. Rakuten had recently announced a partnership with Baidu to launch a virtual shopping market in China and is also actively scouting for opportunities in Europe and other markets. Rakuten posted net income of 56.6 billion yen (US\$617.6 million) on revenues of 298 billion yen (US\$3.2 billion) in 2009.

Media, Entertainment and Gaming

- **Leading game operator Square Enix Holdings, announced operating profit of 9.5 billion yen (US\$102.4 million) on revenues of 192.3 billion yen (US\$2.1 billion) for 12 months ending March 31st, 2010.** Growth was primarily driven by the games and merchandising divisions, which grew by 254% and 124% respectively over the previous year. The Amusement, Publication and Mobile Phone Content divisions changed by -11.8%, +16.4% and +8.1% over last year. For the current fiscal year, the company forecast revenues of 160 billion yen (US\$1.7 billion) and operating income of 20 billion yen (US\$218.2 million).

Korea

Mobile/ Wireless

- **KT Corp., Korea's largest fixed-line operator, could build a high-speed LTE network in 2011 if the growth in mobile data traffic justified the investment.** The company will partner with telecom equipment manufacturers Samsung and LG-Ericsson to roll-out the network. KT is the exclusive distributor of the iPhone in Korea and has witnessed a surge in data usage on its networks in recent months. The company also said that it expects its existing W-CDMA, WiFi and mobile WiMAX networks to handle existing demand for bandwidth. The company also announced plans to spin-off its property assets, having a book value of US\$5.7 billion, into a separate company and transform them into a new source of revenue.

Hardware

- **Samsung Electronics, the world's largest electronics company by sales, announced a record 26,000 billion won (US\$23 billion) investment plan for the current year.** The proposed investment plan almost triples the company's original budget and is higher than the combined investments of global companies like Intel, IBM and Sony. The company plans to spend 8,000 billion won (US\$7 billion) on R&D, 11,000 billion won (US\$9.7 billion) for the semiconductor division and 5,000 billion won (US\$4.4 billion) for the LCD division. Samsung's Chairman, Lee Kun-Hee is also expected to meet Sir Howard Stringer, Chief Executive of Sony Corp., to discuss collaborations in development of LCD panels and 3D television sets. The company is also planning to release a new range of smartphones based on its proprietary operating platform Bada. Samsung hopes to emulate the success of Apple and RIM in creating an ecosystem of customers and developers so that it can build new revenue sources from its own Samsung applications store and also create synergies with its other businesses. In related news, Samsung Display, the world's largest manufacturer of high-end screens for mobile devices, announced an investment plan of 2.5 trillion won (US\$2.1 billion) in the next two years, to build the world's largest production line of ultra-bright LED screens. The company

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believes that demand for high-end mobile displays is so strong that it might fail to fulfill customer requests even after expanding its capacity seven fold by next year. Samsung Display is an equal joint venture between Samsung Electronics and Samsung SDI.

China

Mobile/ Wireless

- **China Telecom, the smallest of the three mobile operators in China, announced a partnership with RIM, to offer BlackBerry services over its EVDO 3G network.** The move is the company's attempt to catch up with its larger rivals in the smartphone market. China Mobile already has a similar partnership with RIM, while China Unicom has an exclusive arrangement with Apple to distribute the iPhone. China Telecom entered the mobile business in 2009 after a government initiated restructuring in China's telecom sector. The company already has about 56 million mobile subscribers and is planning to spend more than 10 billion yuan (US\$1.5 billion) on handset subsidies in 2010, to aggressively expand its subscriber base further.
- **China Mobile, China's largest mobile services company, requested for bids to build the third phase of its 3G mobile network, based on its proprietary TD-SCDMA standard.** The company spent US\$21 billion in 2009 building the network, following the awarding of licenses by the government. The bulk of the contracts last year had gone to local telecom equipment manufacturers Huawei and ZTE. Ericsson, which is the world's largest maker of telecom gear, also won small contracts worth about US\$1 billion from the company representing about 5% of total expenditure. Ericsson said that it was hopeful of maintaining its share of the current year's expenditure also. China Mobile faced some difficulties with its chosen 3G technology due to the lack of networking equipment and cell phones available to support the standard. However, the TD-SCDMA's 4G successor, called TD-LTE already being tested by the company in Shanghai, is closer to other globally accepted standards and might find supporting services and infrastructure more easily.
- **A survey by China Market Research Group revealed that potential buyers of the iPhone were staying away because of Apple's association with China Unicom, and that the poor brand image of Unicom represented a barrier to purchase in consumers' minds.** The study interviewed 2000 consumers between the ages of 22 and 32 and found that while the iPhone was highly desired, less than 10% were customers of Unicom. Most respondents believed that China Mobile had a more stable network and offered better service. In China, iPhones purchased in the grey market can be used on China Mobile's EDGE network and many customers use this option to access China Mobile's cheaper 2G plans, rather than China Unicom's 3G plans, which are much more expensive.
- **China wireless value added services provider Linktone Ltd. reported GAAP net income of US\$0.1 million compared to US\$0.3 million last year.** Gross revenues for the first quarter increased to US\$19.0 million from US\$14.8 million for the same period last year. The company anticipates gross revenues to be in the range of US\$13 - US\$14 million.

Telecommunications

- **China's State Council, the highest government body, issued an opinion paper calling for private investment in China's telecommunications and related infrastructure sectors, with the clause that the investment be restricted to equity participation only.** This is the first time ever that the Chinese government has even considered allowing private investment in the sector, which has, until now, been restricted to state-owned players. The government body also advocated that

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private investment be allowed in related industries such as telecom value-added services, content creation, applications and intelligent network services.

- **The Beijing Consumers' Association, an influential consumer group in China, asked the country's fixed-line operators in the country to cut monthly landline rental charges by at least 50%.** The association further argued that new technology and greater scale have brought costs down dramatically, while rentals continue to remain at the same levels. The highest number of complaints that the association received in 2009 pertained to fixed-line charges, although companies like China Telecom charge only about 21.6 yuan (US\$3.2) per month as rental fee.

Media, Entertainment and Gaming

- **Leading online media and mobile value-added services operator Sina Corp. expects revenues of US\$90 - US\$93 million for the current quarter, on the back of a rapidly recovering internet advertising market.** For the first quarter of 2010, the company announced non-GAAP net revenues of US\$80.3 million, higher than the company's own guidance of US\$78.0 million and up 19% year-on-year. Non-GAAP net income stood at US\$22.3 million, up 66% over the corresponding period last year. Growth was primarily driven by the company's online advertising business, which grew 47% year-on-year after adjusting the results of the company's real-estate online advertising business. The mobile value-added services business remained flat, mainly due to billing restrictions imposed by Chinese mobile companies on content providers since late last year, in a bid to crack down on pornography on the internet. Sina competes with Tencent and Sohu and is the market leader in the portal advertising business in China.
- **NetEase.com, China's third largest online game operator, announced first quarter net profit of 452.3 million yuan (US\$66.2 million), an increase of 8.5% year-on-year and revenues of 1.2 billion yuan (US\$175.7 million), an increase of 51%.** Growth for the quarter was primarily driven by a surge in advertising and online gaming revenues although the company failed to match analysts' revenue expectations of US\$187 million. NetEase is reportedly scouting for acquisition opportunities to beef up market share of its online search service Youdao, for which the company could draw from its reserves of 7.7 billion yuan (US\$1.1 billion). Youdao is currently competing with platforms like Sogou and Soso from rival companies Sohu and Tencent respectively to take second place behind market leader Baidu after Google decided to run its China operations from its Hong Kong site. As of December 2009, Sogou, Soso and Youdao had market shares of 1%, 0.7% and 0.4% respectively in the online search business in China.
- **Game operator Dokomo Network Technology (DKM Game) announced the acquisition of online game developer Perfect Storm Network Technology.** The deal is reportedly worth 60 million yuan (US\$8.8 million) and is expected to be closed by the end of June, 2010. Perfect Storm is expected to complete development of its 2D fantasy MMORPG 'Yanhuang Online' soon, and will continue other existing projects at DKM Game after the acquisition.
- **Online gaming company Perfect World posted net income of 305.2 million yuan (US\$44.7 million) and revenues of 625 million yuan (US\$91.5 million) for the first quarter of 2010.** Net income grew by 12.7% sequentially and 41.6% year-on year, while revenues grew by 2.8% sequentially and 40% annually. The company's average concurrent user base fell by 14.2% over the previous quarter to 993,000, while active paying customers dropped by 23.7% to 1.67 million. Perfect World, however, attributed the decline not to lower demand, but to technical complications and the company's own stringent anti-cheating stance.

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- **Out-of-home advertising solutions provider Focus Media announced net loss of US\$954,000 and revenues of US\$124.9 million for the first three months of 2010.** The figures compare with net loss of US\$5.7 million year-on-year and net loss of US\$53 million on a sequential basis. The company's revenues for the last quarter were US\$144.3 million and US\$104.7 million last year. Focus Media's LCD advertising business contributed 44.3% to total revenues, while poster frame and internet advertising contributed 22% and 23.5% respectively. For the current quarter, the company expects revenues to be about US\$142 million, with the LCD and poster frame divisions bringing in almost US\$99 million.
- **Online game operator Giant Interactive reported first quarter net income of 185.5 million yuan (US\$27.1 million), down 20% year-on-year and 6.3% over the previous quarter, and revenues of 304.4 million yuan (US\$44.5 million), down 18.5% year-on-year but up 10.3% sequentially.** Average concurrent users for online games stood at 588,000 an increase of 21% over the last quarter, while active paying accounts stood at 1.37 million, up 20.6% over the last quarter. The company's average revenues per user, however, dropped 8.5% to 220 yuan (US\$32.2).
- **Openv.com, an online video site, announced plans to set up a joint venture with China Digital TV Holdings to offer IPTV services in the mainland from June, 2010.** Openv had previously received an investment of US\$14.5 million from China Digital in January. Only three state-run companies, CNTV, Shanghai Media Group and WASU Media Group have managed to procure government IPTV licenses till date, in China.
- **Zynga, a developer of social games in the U.S., announced its entry into Asia with the acquisition of XPD Media, a social gaming company in Beijing.** The terms of the deal were left undisclosed. Zynga, which operates Farmville and Mafia Wars on platforms like Facebook, MySpace and the iPhone, has more than 230 million active monthly users. The company also recently announced a five-year strategic partnership with Facebook to develop more social games. Late last year, Zynga also announced that it had sold about US\$180 million of company securities to Russia's Digital Sky Technologies. XPD Media, backed by True Ventures and Pilot Group was founded in early 2008 and has over 40 employees.

Internet

- **Tencent Holdings is reportedly scouting for potential acquisitions in the internet and gaming industries in countries like Brazil, Russia and India, apart from South-East Asia, to establish itself a global internet giant like Google.** The group, armed with cash of US\$1 billion and market capitalization higher than that of eBay and Yahoo, hopes to capitalize on its popularity in the cut-throat internet chat and gaming space in China, and generate a significant part of its revenues from international operations in the future. Tencent already owns a 10% stake in Russia's Digital Sky Technologies and minority stakes in Vietnam's VinaGame and MIH India, which owns a networking platform called ibibo.
- **eLong, an online travel services provider, posted net income of 5.9 million yuan (US\$861,000) on gross revenues of 107.5 million yuan (US\$15.7 million). The figures reflect an increase of 197% and 30% over the corresponding period of last year.** The company's revenues from hotel bookings went up by 23%, while revenues from air ticketing increase by 38% year-on-year. The company expects net revenues to be between 102 million yuan (US\$14.9 million) and 111 million yuan (US\$16.2 million) for the current quarter.

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- **Global Sources' first-quarter profit more than doubled on widened margins while revenue dipped slightly due to continuing soft demand.** The company reported net income of US\$2.6 million compared with US\$1.2 million in the same quarter last year. First-quarter profit more than doubled on widened margins while revenue dipped slightly due to continuing soft demand. Excluding special items, the company earned US\$3.3 million. Revenue fell by 2.5 percent to US\$33.9 million from US\$34.8 million. The company said it expects to post second-quarter revenue of US\$57 - \$57.5 million. Global Sources also announced that it is planning to repurchase 6.67 million shares, or about 15 percent of its common stock outstanding, for US\$9 per share in cash. The tender offer of up to \$60 million is expected to be made before the end of June and should be completed by the end of July. The purchase price is a 32 percent premium over the company's closing share price on Tuesday. Directors and officers of Global Sources, who collectively own about 48 percent of outstanding shares, can be expected to sell shares. The company also said its chief financial officer is resigning. Global Sources is a business information provider, whose core business is to facilitate trade from Greater China to the world through marketing Web sites and trade shows in China.
- **Neelie Kroes, the vice-president of the European Commission, said that the Chinese internet firewall is a violation of WTO regulations and that it constituted a trade barrier.** Neelie argued that the firewall blocked communication for internet users and prevented the free flow of information. The vice-president spoke at the China headquarters of video-sharing company Tudou, considered to be a rival to Google's YouTube, which is banned in China. Tudou adheres to the government's censorship rules and claims to delete almost 100,000 video every month involving pornography and politics. Neelie said that the issue of Chinese internet firewalls should be considered by the WTO as a free trade violation and dealt with accordingly. The U.S. government had also previously considered taking China's restrictions to the WTO.

Alternative Energy

- **Jinko Solar, a vertically integrated solar product manufacturer, raised US\$64 million through a successful IPO of 5.4 million American Depositary Shares (ADS) at US\$11 per share.** The company had originally planned to raise US\$85 million by issuing 10.6 million shares in the range of US\$6 – 8 per share, but decided later to reduce the size of the offering.

Taiwan

Hardware

- **AU Optronics, Taiwan's second largest LCD manufacturer, said that it expects an industry wide shortage of LCD panels to continue throughout the year, due to higher than expected demand for PCs and television sets.** The company returned to profit in the first quarter of the current year after strong demand for its products boosted both volumes as well as prices. For the current quarter, the company has been unable to keep pace with demand, especially for monitor and television panels. AU recently applied for permission to set up a LCD manufacturing facility in China with an investment of US\$3 billion, with an intention of tapping the Chinese market, which is expected to be the largest television market soon. AU used to be the largest LCD manufacturer in Taiwan until March of this year when newly merged entity Chimei Innolux became the country's largest and the world's third largest LCD manufacturer.
- **Acer's share price has dropped by 17% in the past four weeks, apparently because of investors' concerns over the company's rising sales exposure to the European market.** The company is dependent upon the troubled European region for 40% of its revenues. Analysts believe that the fall in

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valuation presents a potential investment opportunity for long term investors. The company is also expected to pose lower than expected operating margins in the second quarter, due to increasing foreign exchange volatility with the euro. Analysts also lowered earnings forecast for the full year by 6% to reflect the new assumptions on the operating margins front.

Hong Kong

Telecommunications

- **Richard Li, Chairman of fixed-line telecommunications provider, said that the company plans to continue to pay attractive dividends and maintain its dividend yield at 6% this year.** Li also said that the company has no plan to sell its telecom assets but the company will actively consider a possible listing on the mainland. He also mentioned in the shareholder meeting that legal issues concerning his aborted buyout bid for the Hong Kong phone carrier aren't resolved, three months after police were said to have begun a probe into the proposed offer.
- **Imagi International Holdings Ltd. rallied 14 percent after the maker of the Astro Boy animated movie appointed Francis Leung Pak To as chairman and non- executive director.** The company said that Phoon Chiong Kit has resigned as chief executive officer, an executive director and deputy chairman to pursue other business commitments. Imagi is a CG-animated film producer with a studio in Hong Kong, as well as a creative development and production facility in Los Angeles, and a satellite office in Tokyo.

Southeast Asia/India/Australia

Mobile/ Wireless

- **XL Axiata, one of the major cellular providers in Indonesia, announced that it has entered into an agreement with Ericsson to source equipment for its LTE network trial.** Ericsson already supplies 2G and 3G equipment to the company. Ericsson was competing with Huawei, which is also an existing vendor for XL Axiata, for the deal. XL Axiata clarified that the agreement with Ericsson was only limited to the trial phase and bids would be open once the company decides to roll-out the network, which might not happen until next year. Meanwhile, Axiata's rival and market leader Telkom will launch its own trials of LTE next month, and has chosen Ericsson and Nokia Siemens Networks to supply the equipment.
- **India's 3G mobile spectrum auction ended this week after 34 days of intense bidding, ending in a windfall of about US\$15 billion for the government.** The Indian government will receive 677.1 billion rupees (US\$14.7 billion) from the mobile spectrum auction alone, compared to its expectation of 350 billion rupees (US\$7.6 billion) from both mobile and broadband spectrum allocation. India's leading mobile company Bharti Airtel spent the most to pick up spectrum in 13 circles including Mumbai and Delhi for 122.9 billion rupees (US\$2.7 billion). Vodafone won licenses to offer 3G services in 9 circles for 116.2 billion rupees (US\$2.5 billion), while Reliance successfully bid 85.8 billion rupees (US\$1.9 billion) for 13 circles. Aircel and Idea Cellular were the other winners, bidding 65 billion rupees (US\$1.4 billion) and 57.7 billion rupees (US\$1.3 billion) for 13 and 11 second-tier circles respectively. Leading operators compromised on their plans of acquiring a pan-Indian license for all 22 circles after aggressive competition drove up prices to more than double the expected cost. Analysts estimate that the cost of acquiring the spectrum along with the associated expenses of rolling

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out the network could mean that operators will take 10 years to recover their investments. Meanwhile, the government will begin the bidding process for the wireless broadband spectrum on May 24th.

- **The Indian Ministry of Communications restricted state-owned BSNL from outsourcing its network operations to third parties on grounds of national security, pushing back the company's expansion plans once again.** BSNL had previously dropped its US\$10 billion GSM tender plans after a government investigation found discrepancies in the tender process. BSNL had then planned to outsource the building, management and maintenance of its network to global vendors in a managed capacity model that companies like Bharti Airtel currently follow. The government, however, argued that it relied on BSNL's networks during times of external aggression and internal disturbances and that outsourcing the network operations could pose a threat to security. BSNL urgently needs to scale up its network capacity to be able to cater to existing subscribers and also acquire new ones.

Telecommunications

- **Telstra said that it was still possible to arrive at a settlement with the Australian government and reiterated that negotiations were still continuing.** Telstra, a former state-owned monopoly and currently Australia's largest telecom company, has been asked by the government to split itself into a retail unit and a wholesale unit, and roll the latter into the National Broadband Network plan, saving the government billions of dollars in new network costs. The government, meanwhile, announced that it expects to conclude talks with Telstra by the end of June.
- **The Chinese Ministry of Commerce urged India not to discriminate between telecom vendors based on their country of origin and called for fair treatment of Chinese telecom companies in the country.** The Indian government had previously mandated that all Indian mobile carriers obtain security clearance before entering into partnership with Chinese telecom equipment suppliers such as ZTE and Huawei, based on security concerns. The Ministry also called for consultations between the two governments to resolve the issue.
- **Maxis Bhd., one of Malaysia's top cell phone companies, announced capital expenditure plans of 1.4 billion ringgit (US\$435.2 million) for the current year.** The company will focus the investment on network upgrades and maintenance. The announced investment plan is over and above the company's previous announcement of spending 4 billion ringgit (US\$1.2 billion) over the next four years on its infrastructure. Maxis aims to reach 80% of the Malaysian population with its 3G service offerings by December, 2010. The company already has access to 60% of the population as of January, 2010. The company recently obtained a license to conduct 4G trials on LTE technology.

Media, Entertainment and Gaming

- **Reliance MediaWorks, a subsidiary of the Reliance ADA Group, is reportedly training about 2,700 artists to convert 2D pictures into 3D in the next one year.** The company aims to process between 10 and 15 films every year, generating revenues of about US\$8 million to US\$15 million from each of them. Experts have warned that high quality conversion remains to be very complex and not very easy to execute. Many companies are betting on the success of 3D entertainment after the phenomenal success of Avatar, which generated US\$2.7 billion in box-office collections. Filmmakers are still debating whether it is more cost-effective to film directly into 3D or to film in 2D first and use high quality conversion processes to transform the pictures into 3D. Reliance has tied up with In-Three, an established 3D player, to monitor and oversee the work via information sent over Reliance's high speed fiber-optic cable.

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- **GMA Network Inc. announced that its net income in the first quarter grew by 71 percent to 855 million pesos (US\$18.4 million) from 501 million pesos (US\$10.8 million) a year earlier driven by revenues from political advertisements in the run up to the May 10 elections.** Gross revenues from January to March reached 3.6 billion pesos (US\$77.4 million), up by 37 percent, from 2.7 billion pesos (US\$58.1 million) in the first three months of 2009. EBITDA, rose by 57 percent to 1.4 billion pesos (US\$30.1 million) from 902 million pesos (US\$19.4 million) in the same comparable period. The network's international units also posted gains, with GMA International's subscription revenue reaching 235 million pesos (US\$5.1 million), or nearly a third up year-on-year on the back of a 19-percent rise in subscriber count to 250,000 for overseas channel GMA Pinoy TV (GPTV). About 120,000 of GPTV subscribers also subscribe to GMA Life TV (GLTV), a second international channel airing lifestyle shows from the network's local unit Q Channel 11. GLTV said its subscribers grew by 7 percent. The subscriber counts for GPTV and GLTV were equivalent to 1.5 million and 800,000 viewers, respectively.
- **Benpres Holdings Corp. recorded a net income of 11.0 billion pesos (US\$236.6 million) for the first quarter of 2010, a reversal of the 176.0 million pesos (US\$3.8 million) net loss during the same period last year, due to the strong performance of its business units and lower finance costs.** Benpres is the Lopez family's holding firm for investments in broadcasting, cable television, and power generation and distribution. As of December 31, 2009, Benpres held a 57% economic interest in ABS-CBN, and 42% in First Philippine Holdings Corp.

Internet

- **The Pakistan Telecommunication Authority ordered the complete shutdown of YouTube and Facebook in the country indefinitely, after user groups on both the platforms announced online competitions to draw images of the Prophet Mohammad.** Any depiction of the Prophet is considered to be blasphemous in the Islamic religion. The authority issued an order to all ISPs in the country to block the two platforms with immediate effect. YouTube was previously blocked for about 12 months in 2007 for allegedly posting un-Islamic videos that hurt sentiments of the Islamic population across the world.

Hardware

- **Western Digital, a prominent disk drive manufacturer, announced plans to spend US\$1.2 billion between 2010 and 2015 to expand its operations in Malaysia.** The investments will be directed towards expanding its research and development as well as manufacturing capabilities. The company hopes to create at least 10,000 additional jobs in the country through the initiative.

United States/Canada

Mobile/ Wireless

- **The U.S. Federal Communications Commission, the regulatory authority for the industry, released a report on the state of the wireless industry covering 2008 and part of 2009.** For the first time after 2002, the Commission has refrained from describing the wireless industry as having effective competition. The report could set the stage for more regulations and policies by the authority with the objective of increasing competition to benefit consumers. It could also shape the terms and format of the next set of major auctions for 4G spectrum, even as consumers demand cheaper and faster data plans on their mobile handsets to access the internet and online videos. The U.S. wireless industry is currently dominated AT&T, Verizon Wireless, Sprint Nextel and T-Mobile. The latter two

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are currently demanding more spectrum and reach to be able to compete better against their larger rivals.

Telecommunications

- **XO Holdings, which owns XO Communications, one of the largest telecommunication companies in the U.S., announced revenues of US\$369.5 million and net loss of US\$16.6 million for the first quarter of the current year.** The figures compare with revenues of US\$377.8 million and US\$375.8 million and net loss of US\$4.5 million and net profit of US\$13.3 million for the first and fourth quarters of 2009 respectively. For the period, the company's broadband services business grew by 11% on the back of increased demand for its IP, VPN, IP Flex, Ethernet and Dedicated Internet Access services. The company's revenues from its Integrated/Voice services, however, suffered a decline and offset the growth in its broadband business. For the current year, the company's focus is to raise new capital to support capital expenditure on networks as well as to explore potential acquisition opportunities in the telecom space.
- **Primus Telecommunications announced revenues of US\$204.4 million and net loss of US\$999,000 for the first quarter of the current year.** The figures compare with revenues of US\$193.2 million and net income of US\$13.9 million during the corresponding period last year. The group's revenues from operations in the U.S., Europe, Canada, Wholesale services fell during the quarter, while that from Australia and Brazil grew. Primus Telecommunications is a provider of integrated facilities-based telecommunications solutions, offering international and domestic voice, VOIP, Internet, Wireless and Data Hosting services to enterprises, households and other carriers. For the current year, the company expects revenues from its traditional services to decline and that from its growth services like on-net local, broadband, internet, data, datacenter, wireless and retails VOIP to grow.
- **Verizon obtained approval from the Federal Communications Commission (FCC) to sell 4.8 million existing rural landlines to Frontier Communications Corp. in a stock deal worth US\$5.2 billion.** The FCC approved the transaction after Frontier committed to enhance broadband deployment and build high speed lines to institutions like hospitals, schools and government buildings in underserved communities in the country. The deal will almost triple the size of Frontier Communications and make it the largest rural service provider. For Verizon, the sale is part of the company's strategy to focus on more lucrative mobile and wireless businesses, whereas for Frontier, it represents an opportunity to carve out a niche for itself in the rural telephony space and establish itself as a major player. Meanwhile, Verizon Wireless lost a legal suit that required its customers to resolve disputes with Verizon over alleged fraudulent cell phone bills individually through arbitration, than as a class action. A ruling in Verizon's favor would have made it more expensive for the company's customers to take action against the company or even file for arbitration and given the company an arguably unfair advantage.

Internet

- **Facebook launched a new version of its popular internet platform specifically designed for mobile phones with low-bandwidth internet connections.** The text-only version will be launched in 40 countries, including India, Indonesia, Brazil and Turkey. The portal has partnered with 50 wireless operators to offer this service to mobile users without them incurring any data charges. Currently, about 25% of the portal's users access the platform through mobile phones and the latest move is an attempt to allow even users who do not own smartphones or high bandwidth wireless connections to increase their engagement time with the platform. Facebook is not reimbursing the

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mobile carriers for any charges they might incur to deliver the service. India's Reliance Communications and Videocon, Hungary's T-Mobile and Greece's Vodafone are among the prominent mobile service providers partnering with Facebook for the new offering.

- **Google announced that its online video sharing site, YouTube, gets more than 2 billion hits each day.** The company had hit the 1 billion mark only seven months ago. Google also said that the number of unique visitors to its site each day exceeds the combined total of the U.S.' three prime television stations combined, although the average time that each user spent on YouTube was only 15 minutes, compared to 5 hours for television. YouTube, which was acquired by Google in 2006 for US\$1.65 billion, completed 5 years of its existence this week. In related company information, Google announced the acquisition of Global IP Solutions, a firm engaged in developing technology to deliver voice and video over IP. Google will pay US\$68.2 million for the deal, which represents a 27.5% premium over the closing price of Global IP's shares on the Oslo Stock Exchange. The acquisition will allow Google to add video chat facilities to its Android platform. The deal has been currently approved by the board of Global IP, but still requires support from at least 90% of the shareholders. Google is also reportedly about to announce a new web television platform in partnership with Intel and Sony. The platform would be based on Intel's Atom microprocessor, Google's Android operating system and Sony's television sets.
- **Google announced the launch of an application store for its Chrome operating system, in addition to a host of related web-based initiatives.** The Chrome Web Store, due to open later in the year, will allow users to upload and also find the best web applications across the internet. Google also announced a partnership with VMWare, to allow companies to build rich web applications and upload them into a cloud of their choice. In related company information, Google obtained U.S. anti-trust approval to proceed with its planned acquisition of AdMob, after months of deal led to speculation that the company might engage in a court battle with the authorities over the deal. The anti-trust authority approved the US\$750 million deal even though it would lead to a merger between the two leading companies in the mobile advertising industry, as it expects Apple to rapidly become a force to reckon with very soon, thereby creating a balance in the market. Apple recently launched a new platform called the iAd, after it acquired Quattro Wireless, the third largest mobile network in the U.S.
- **Yahoo! Inc. announced the acquisition of freelance news site, Associated Content.** The deal will allow Yahoo! to supplement its regular line-up of news by full-time reporters with independently produced material that typically isn't covered by traditional media outlets. Associated Content was launched in 2005 and relies on about 380,000 freelancers to share their expertise on diverse topics. The portal attracted 16 million users in April 2010, higher than the 14 million visitors to the New York Times' website. Financial terms of the deal were not disclosed.
- **A new survey by Sophos, the data protection and security software and services provider, revealed that 60% of existing Facebook users were seriously considering deleting their account on the platform over data privacy issues.** Additionally 16% of users had already stopped using the platform. The primary concern of the subscribers is the lack of control over private data and the complicated security and protection settings on the platform. Senior executives at Facebook were reportedly considering simplifying the privacy settings and even changing the default settings, a move opposed by CEO Mark Zuckerberg.

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Software

- **U.S. printer manufacturer, Lexmark International, announced the acquisition of Perceptive software in an all-cash deal worth US\$280 million.** Perceptive, which develops enterprise content management software, generated revenues of US\$84 million in 2009. The acquisition is expected to be accretive to Lexmark's earnings from 2011. Perceptive will retain its name after the acquisition and will continue to operate as a stand-alone business.
- **Symantec Corp., the world's largest developer of security software, announced the acquisition of VeriSign Inc's internet security business including its widely used, secured online payments technology.** The deal, worth US\$1.3 billion, will leave VeriSign with only one major business, that of managing more than 100 million internet domain names. Over the past three years, VeriSign has sold or shut down nearly 20 businesses to be able to focus on its high-margin internet domain business. The company's security business contributed about 41% of revenues in 2009. For Symantec, the acquisition is part of a larger strategy to focus on the protection of content, in place of its traditional approach of protecting equipment. The deal follows two other acquisitions of encryption companies PGP Corp. and GuardianEdge for US\$373 million last month.
- **Novell Inc., which put itself up for sale last week, has reportedly received interests from more than 20 private equity companies.** The company had previously rejected a US\$2 billion takeover offer from investment fund and existing shareholder Elliott Associates, calling it inadequate. The Elliott offer valued the company at US\$5.75 per share. Analysts say that a private equity buyer could easily take over the company by paying US\$500 million in cash and assuming the company's debt. Novell's shares closed at US\$6.03 on Wednesday.
- **Double-Take Software, a developer of business software, was acquired by private equity firm Thoma Bravo LLC in an all-cash deal worth US\$242 million.** The offer price of US\$10.55 per share reflects a 9% premium over the stock's closing price on May 14th, 2010. The acquisition will be executed through a portfolio company of Thoma Bravo called Vision Solutions Inc. Double-Take provides data replication and storage software to help businesses build disaster recovery systems. Analysts believe that the deal is not a pure-play private equity buyout as it is a strategic fit with Thoma's and Vision Solutions' businesses.
- **Cadence Design Systems, a chip-design software developer, announced the acquisition of Denali Software Inc. in an all-cash deal worth US\$315 million.** The deal is expected to be accretive to Cadence's earnings in 2011 and slightly dilutive in the second half of the current year. Denali posted revenues of US\$43 million for the year ended March 31st, 2010 and had an operating margin higher than 30% and cash balance of US\$45 million. Cadence will finance the transaction from its available cash balance of US\$619 million. The acquisition is expected to accelerate Cadence's growth strategy called EDA 360, which involves designing chips and hardware simultaneously to optimize applications driven systems.
- **Microsoft Corp. announced the settlement of a patent-infringement battle with VirnetX, a software developer in the area of internet communication, by paying US\$200 million in compensation and also obtaining a patent license from the latter.** The two companies announced the agreement after a federal jury ordered Microsoft to pay initial compensation of US\$105.8 million for willful patent infringements of VirnetX.
- **Salesforce.com, a business software developer, announced net income of US\$17.7 million on revenues of US\$376.8 million for three months ended April 30th, 2010.** The figures reflect a drop

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of 3.8% and increase of 24% respectively over the corresponding period last year. The company's operating cash flow, a useful metric to gauge profitability, rose by 46% to US\$143 million. For the current quarter, the company expects revenues to be between US\$381 million and US\$383 million. Salesforce specializes in providing on-demand software, also called as SaaS (Software as a Service) to corporate customers.

Hardware

- **Hewlett-Packard posted net profit of US\$2.6 billion and revenues of US\$30.8 billion for the second quarter ended April 30th, 2010.** The figures reflect increase of 23.8% and 12.4% respectively over the corresponding period of the previous year. The company's revenue growth also includes a 4% gain from favorable currency exchange. For the second quarter, the company's revenues from markets outside the U.S. accounted for 66% of total revenue, while revenues from the BRIC economies (Brazil, Russia, India and China) contributed 10% to total revenue, and more importantly, grew by 25% year-on-year. Revenues from the Americas grew by 11% over last year, that from Europe, Middle-East and Africa also grew by 19%, while Asia-Pacific grew by 19%. In terms of business lines, revenues from services grew by 2% and that from Enterprise Storage and Servers, by 31%. Revenues from software declined by 1% whereas Personal Systems Group and Imaging and Printing Group grew by 20% and 8% respectively over the corresponding period last year. For the current quarter, Hewlett-Packard expects revenues to be about US\$30 billion.
- **Dell posted net profit of US\$441 million, an increase of 52% year-on-year on revenues of US\$14.9 billion, an increase of 21% for three months ended April 30th, 2010.** The high growth, however, came at the expense of profitability as the company's gross profit margin fell to 16.9% from 17.6% last year. Dell, like IBM and Hewlett-Packard is trying to move into more-profitable businesses such as IT services and consumer devices from its traditional model of selling low-margin hardware to businesses and individuals. For the quarter, the company's revenues from enterprise business grew by 25%, while that from public sector and small and medium scale sector grew by 22% and 19% respectively. Dell's acquisition of Perot systems last year seems to have contributed to some of the growth, although the company didn't specify the exact figures. The company's revenues from small and medium business sector grew by 19%

Life Sciences

- **The U.S. Life Sciences industry could get a boost in the form of a stimulus package from the federal government, which is expected to sanction a US\$1 billion grant to the industry.** The grant will be in the form of tax credits or investment in sound, but unprofitable companies with less than 250 employees. The plan is part of the health-care overhaul approved in March and is expected to be open to biotech, medical-device and diagnostic companies. The idea behind the grant is to help life sciences companies, which typically have long product development cycles, to weather the recession and overcome liquidity troubles. Analysts expect the stimulus package to be oversubscribed to, with some companies missing out even with full qualifications and eligibility.

Europe

Mobile/ Wireless

- **Portugal's Prime Minister Jose Socrates announced that his government would not allow former state-owned monopoly, Portugal Telecom, to divest its stake in Brazil's mobile carrier Vivo.** The Prime Minister said that the company's international holdings were of strategic importance

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to the country, and key to developing its own research and development strategy. The government is still the largest stakeholder in Portugal Telecom and could veto any move from the company. Previously, Spain's Telefonica had offered to purchase Portugal Telecom's 50% stake in Vivo for about 5.7 billion euros (US\$7 billion). Telefonica, which holds about 10% in Portugal Telecom, is urging the latter to seek a shareholder vote on the issue.

Telecommunications

- **Vodafone Group Plc., posted revenues of 44.4 billion pounds (US\$64.2 billion) and adjusted net profit of 8.5 billion pounds (US\$12.3 billion) for the financial year ended March 31st, 2010.** The figures reflect increase of 8.4% and decline of 6.5% respectively over the last year. After adjusting for currency gains and impact of new acquisitions, however, revenues grew by 2.3% for the year. The company's revenues from Europe fell by 3.5% over last year. Revenues from operations in Turkey jumped by 31.3% in the fourth quarter, while that from Vodacom in Africa and Verizon Wireless in the U.S. grew by 4.6% and 6.3%. The company's revenues in India grew by 14.7%, although it took a 2.3 billion pounds (US\$3.3 billion) impairment charge due to the intense price war and steep costs of acquiring new 3G licenses. The company also faces a tax bill of US\$2 billion from its takeover of Hutchison Essar in 2007. The company also has to invest millions in roll-out of a 3G network in addition to the steep price of acquiring a license. By the end of the year, the company had 5.6 million fixed broadband customers contributing to 7.4% of total revenues. For the current year, the company targets to increase operating margins by cutting 2 billion pounds (US\$2.9 billion).
- **Germany's hopes of raising capital through the auction of 4G spectrums fell flat after the bidding process ended at lower-than-expected prices.** At the close of the auction process, Vodafone Germany had submitted the highest bid of 1.42 billion euros (US\$1.76 billion), with Telefonica O2 a close second at 1.38 billion euros (US\$1.73 billion) and Deutsche Telekom taking third place with a bid of 1.3 billion euros (US\$1.63 billion). E-Plus was at a distant fourth place with a bid of 283.6 million euros (US\$356 million). The total proceeds from the auction stood at US\$5.47 billion from analysts' expectations in the range of US\$7.5 billion-US\$10 billion, and less than a tenth of the previous auction a decade ago, which generated US\$62 billion.
- **France closed the last phase of its 3G spectrum auction after SFR and Orange bid 300 million euros (US\$371.8 million) and 282.1 million euros (US\$349.6 million) respectively for the two licenses.** The third bidder Free Mobile failed to win any license after submitting a much lower bid.
- **The European Commission unveiled its new Digital Agenda for Europe, a document outlining a common spectrum policy and telecom regulations for the European Union.** The document consists of 100 action points to create a unified digital market and boost the region's economy. Among the many recommendations is a proposal to reduce mobile roaming rates across the EU from the current average of 38 cents to almost zero in the next five years. The Commission also proposes aggressive targets to deploy 200 Mbps fiber broadband networks to 50% of all homes in Europe by 2020, with the other 50% having access to at least 30 Mbps networks. The agency aims to implement a set of common goals and regulations in Europe by the end of the current year.
- **Russian mobile operator Yota announced a decision to migrate all its existing networks to the LTE technology.** Yota was one of the major operators of WiMax in the world before the announcement, but decided to opt for LTE after top operators and device manufacturers like Nokia and Samsung also threw their weight behind LTE. Yota will spend US\$100 million on the roll-out of LTE in 5 Russian cities in the current year, while total investments are expected to be in the range of US\$2 billion.

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Information Technology

- **Turk Telekom announced the acquisition of Invitel International for 221 million euros (US\$297 million).** Invitel is a data capacity and services firm, which operates a 27,000 kilometer long optic fiber network across 17 countries. Under the terms of the agreement, Turk Telekom will become the owner of Invitel's international wholesale business.

Semiconductor

- **The European Commission levied penalties of more than 331 million euros (US\$409.9 million) on leading global chipmakers after the companies pled guilty on allegations of price-fixing and cartelization.** The largest fines were imposed on Samsung Electronics and Infineon Technologies, who received penalties of 145.7 million euros (US\$180.4 million) and 56.7 million euros (US\$70.2 million) respectively, while South Korea's Hynix Semiconductor was slapped with a fine of 51.5 million euros (US\$63.8 million). Elpida Memory, NEC, Hitachi, Toshiba and Mitsubishi Electric were also penalized by the agency. The European Commission reduced the fines by 10% as a special consideration after the companies pled guilty to the charges.

Africa/Middle East/Latin America

Mobile/ Wireless

- **The Algerian government warned Orascom Telecom against going ahead with the planned sale of its Algerian unit, Djezzy, to any other entity except the government itself.** The government said that it would not accept any other outcome amidst reports that the company was still continuing its negotiations with MTN for sale of all its African assets. The government also said that it is expecting Orascom to meet the ministry soon if it wanted to sell Djezzy and also suspend its ongoing negotiations with MTN.
- **Telecom Egypt is reportedly engaged in talks with partner Vodafone, to acquire the latter's 55% stake in Vodafone Egypt.** Telecom Egypt is exploring alternatives to scale up its presence in the Egyptian mobile market and could even bid for a fourth mobile license should the government decide to issue one, especially if the negotiations with Vodafone fall through.

Telecommunications

- **The Telecommunications Regulatory Authority (TRA) of the United Arab Emirates (U.A.E) estimated that the telecom sector contributed 5% to the country's GDP in 2009, with investments totaling 9.5 billion dirhams (US\$2.5 billion).** The figures constitute a 16% increase over 2008. Mobile subscriptions grew by 14%, while mobile revenues increased by 3%. Fixed line subscriptions grew by 7%, while fixed line revenues jumped 21%. The large expatriate population in the country also leads to high revenues from long-distance voice operations for the country's telecom operators. The U.A.E has a mobile penetration rate of 204% and internet penetration of 67%, one of the highest in the world.
- **Spain's Telefonica, which has a significant presence in Brazil, announced plans to invest 5 billion reais (US\$2.78 billion) in its fixed and mobile businesses in 2010.** The figure represents a 50% increase over its capital expenditure in the country in 2009. Telefonica operates fixed-line company Telesp and owns 50% of mobile company Vivo in a joint venture with Portugal Telecom. Brazil is one of the high-growth markets for Telefonica and it recently made an offer to acquire Portugal Telecom's 50% stake in Vivo for US\$7 billion.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 05/21/10)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2010	% Change 1/1/2009
Japanese yen	¥/US\$	89.995	-2.67%	-4.23%	-0.01%	0.82%
Hong Kong dollar	HK\$/ US\$	7.8028	0.22%	0.51%	0.55%	0.59%
Chinese renminbi	RMB/ US\$	6.8278	0.02%	0.01%	0.11%	0.21%
Singapore dollar	S\$/ US\$	1.4058	1.28%	2.58%	2.70%	4.30%
South Korean won	KRW/ US\$	1,228.50	8.63%	10.79%	11.69%	14.73%
New Taiwan dollar	NT\$/ US\$	32.128	1.50%	2.54%	2.01%	2.97%
Australian dollar	US\$/A\$	0.8318	-6.10%	-10.35%	-12.24%	-14.54%
New Zealand dollar	US\$/NZ\$	0.6786	-4.04%	-5.40%	-12.20%	-16.48%
Philippine peso	PHP/ US\$	46.5	3.87%	4.90%	2.25%	3.14%
Euro	US\$/€	1.257	1.72%	-6.08%	-17.28%	-21.71%
British pound	US\$/£	1.446	-0.52%	-5.96%	-16.24%	-20.70%

Fixed Income Prices and Yields							
Note	Currency	Current (on 05/21/10)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	104.22	4.10%	100.18	4.34%	99.11	4.66%
Japan 30-year	¥	103.8	2.09%	102.317	2.17%	102.171	2.18%
Hong Kong 10-year	HK\$	96.1	2.64%	94.541	2.84%	92.708	3.07%
China (06/16)	CNY	109.38	3.03%	109.38	3.03%	109.38	3.03%
Singapore 10-year	S\$	99.6	2.55%	100.3	2.46%	98	2.75%
South Korea 20-year	KRW	10,539.60	5.26%	10,566.17	5.23%	10,647.38	5.14%
Australia 15-year	A\$	102.69	5.42%	101.74	5.54%	99.4	5.82%
New Zealand (12/17)	NZ\$	103.62	5.41%	102.44	5.60%	101.92	5.69%
Philippines 20-year	PHP	103.004	9.16%	103.262	9.13%	103.293	9.13%
India 30-year	INR	82.45	8.47%	82.3	8.48%	81.55	8.56%
UK 30-year	£	101.082	4.19%	97.261	4.42%	94.272	4.61%
Germany 30-year	€	125.521	3.39%	120.301	3.63%	116.827	3.80%

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