

# IRG WMR



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

***Week of 31 May 2010 - 4 June 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<br>(6/4/2010) | % Change<br>1 Week Ago | % Change<br>1 Month Ago | % Change<br>12/31/2009 | % Change<br>12/31/2008 |
| S&P 500                   | 1,064.88                    | -2.3%                  | -11.4%                  | -4.5%                  | 17.9%                  |
| Dow Jones Industrial Avg. | 9,931.97                    | -2.0%                  | -10.9%                  | -4.8%                  | 13.2%                  |
| Dow Jones Tech. Index     | 381.69                      | -0.5%                  | -10.0%                  | -5.2%                  | 51.8%                  |
| Dow Jones Telecom. Index  | 191.45                      | -0.7%                  | -8.4%                   | -12.8%                 | -4.2%                  |
| NASDAQ Composite          | 2,219.17                    | -1.7%                  | -11.2%                  | -2.2%                  | 40.7%                  |
| Japan Nikkei 225          | 9,901.19                    | 1.4%                   | -10.5%                  | -6.1%                  | 11.8%                  |
| JASDAQ                    | 51.42                       | 2.3%                   | -8.4%                   | 6.3%                   | 6.7%                   |
| Japan Mothers             | 424.86                      | 5.7%                   | -15.8%                  | 2.1%                   | 31.3%                  |
| Korea KOSPI Composite     | 1,664.13                    | 2.5%                   | -3.3%                   | -1.1%                  | 48.0%                  |
| Korea Kosdaq              | 493.71                      | 3.1%                   | -5.0%                   | -3.9%                  | 48.7%                  |
| Taiwan Stock Exchange     | 7,344.59                    | 0.7%                   | -7.6%                   | -10.3%                 | 60.0%                  |
| Singapore Straight Times  | 3,413.93                    | 3.1%                   | 1.1%                    | 14.1%                  | 93.8%                  |
| Hong Kong Hang Seng       | 19,780.07                   | 0.1%                   | -5.0%                   | -9.6%                  | 37.5%                  |
| Hong Kong GEM             | 779.97                      | 1.5%                   | -12.0%                  | 15.2%                  | 102.3%                 |
| China Shanghai (A-Share)  | 2,677.63                    | -3.9%                  | -11.0%                  | -22.1%                 | 40.1%                  |
| China Shenzhen (A-Share)  | 1,086.04                    | -2.6%                  | -7.0%                   | -13.9%                 | 86.8%                  |
| China Shanghai (B-Share)  | 210.31                      | -0.9%                  | -15.0%                  | -16.7%                 | 89.6%                  |
| China Shenzhen (B-Share)  | 556.27                      | -0.8%                  | -7.6%                   | -11.1%                 | 105.1%                 |

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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*

- **Market tracker iSuppli Corp. said that global shipments of smartphones, such as Apple's iPhone, are expected to total 175 million units in 2010, up 15 percent over the previous year, and reach 343 million by 2013.** Attracting users for their advanced computing ability and connectivity, global shipments of smartphones reached 89.87 million units in 2007 and topped 100 million in 2008 and 150 million in 2009. Europe currently accounts for some 35 percent of the worldwide market for smartphones in terms of shipment, followed by the U.S. with a share of 28 percent. Shipments in Japan are forecast to total 2.84 million units in 2010, up 46 percent from the previous year, and increase further to 5.71 million in 2013.
- **According to Analysys International, the current smartphone boom will intensify competition.** More than 10 million smartphones were sold in the first quarter of 2010, up 150.5 percent year-on-year, while 6.11 3G handsets were sold during the same period, up 65.97 percent quarter-on-quarter. Chinese-made smartphones accounted for roughly 20 percent of the market, with foreign-made units accounting for the remainder. Lenovo launched its Android-based touch screen smartphone LePhone priced at 2,899 yuan (US\$424), nearly half of a comparable 3G iPhone.

#### *Hardware*

- **According to iSuppli, the consumer-electronics industry is entering a new era of connectivity, spurring a boom in shipments of video-oriented devices equipped with high-bandwidth wireless video interface solutions.** The research firm expects the market for video-enabled CE devices with high-bandwidth wireless video links to jump to more than 85.2 million units by 2014, up sharply from 606,000 units in 2009. By 2014, more than 53 million of those devices are expected to be wireless-video-enabled digital TVs and consumer-oriented netbooks/laptops. One major factor that will help drive the connectivity boom, is the coming widespread adoption of wireless video technologies that will allow CE devices to share content via live streaming of both compressed and uncompressed video.

#### *Semiconductor*

- **According to Gartner, the global semiconductor market will grow 27 percent to US\$290 billion in 2010, boosted by strong recovery in PC and cellphone sales, raising its earlier 20 percent forecast.** Gartner expected market growth to slow somewhat in the second half of the year, saying it saw a minor correction to realign semiconductor sales with electronic system sales. Intel, Samsung Electronics and Toshiba are the world's largest semiconductor firms, ahead of Texas Instruments, STMicro and Qualcomm.

### Japan

#### *Hardware*

- **Sony Corp. plans to enter Japan's electronic book market by the end of this year, after deciding to pull out of the market in 2007.** The company will launch a new e-book-related product by the end of this year, said Fujio Noguchi, senior vice president of Sony Electronics Inc.

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- **Fujitsu Ltd. aims to boost supercomputer sales to US\$1 billion in five years to challenge Hewlett-Packard and IBM.** The company intends to control 10 percent of the US\$9 billion market, from the current 2.2 percent, by tapping rising demand in Germany, France and the U.K., said Masahiko Yamada, president of Fujitsu technical computing solutions. Supercomputers used to map the human genome and forecast weather are also helping companies design cars and aircraft, research drugs and develop financial market strategies. Sales of the machines may grow about 8.6 percent annually during the three years to 2012, four times faster than for conventional servers. Manufacturers are using these tools to become more competitive, Yamada said. Fujitsu has sold supercomputers with as many as 2,600 processors to auto and precision-equipment makers, he said, declining to identify any.
- **Eizo Nanao Corp plans to invest US\$9 million to form a wholly-owned plant in Suzhou, Jiangsu Province, to manufacture medical-used monitors for the Chinese market.** The subsidiary, named Eizo Display Technologies (Suzhou), is scheduled to start operations in Oct. this year, the Japanese company said in a statement. Eizo aims to expand its market share for medical monitors in China to 20 percent, the statement said. The company will implement a system of local procurement, production and sales via this subsidiary. China is a priority strategic market for Eizo, which expects to see rapid growth in the country for medical services and medical devices. Eizo is a leading global manufacturer of high-end visual display products with a wide range of liquid crystal display monitors.

## *Mobile/ Wireless*

- **Sony Ericsson, a joint venture between Japan's Sony Corp. and Sweden's Telefon AB L.M. Ericsson aims to maintain profitability after posting its first quarterly net profit in the three months ended March 31 on the back of lower costs and new product launches.** Hirokazu Ishizuka, head of the company's Asia-Pacific region said Sony Ericsson hopes its high-end line of smartphones including Xperia and Vivaz will help improve its bottom line in the quarters ahead. Sony Ericsson has largely struggled to compete with bigger rivals like Nokia Corp. and Samsung Electronics Co. due to a lack of compelling high-end handset models. The company aims to make a comeback with a new line of smartphones using Google's Android operating platform. The handset maker said it will launch its second smartphone, Xperia X10, in South Korea this month.

## *Outsourcing*

- **AT&T Inc said that the company has entered into an agreement to sell its domestic Japanese outsourcing business to network solutions provider Internet Initiative Japan Inc. for US\$100 million.** The sale includes the transfer of approximately 1,600 domestic Japanese business customers and approximately 250 AT&T employees who support these customers. Full-year revenues of approximately US\$300 million are expected from the domestic Japanese outsourcing business for 2010. AT&T has set up a new subsidiary to ensure the smooth transition of customers, employees and business operations to Internet Initiative Japan Inc. Following closing, this new company will become a wholly-owned subsidiary of Internet Initiative Japan Inc. This is the second subsidiary AT&T has sold off in less than a month. In May the company sold its integrated solutions unit Sterling Commerce to IBM for approximately US\$1.4 billion in cash.

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## Korea

### *Telecommunications*

- **SK Telecom Co. and China Railway No.2 Engineering Group Co. will set up a 13 billion won (US\$10.4 million) joint venture in June to develop an advanced technology city in China.** The project will be 60 percent owned by SK Telecom and 40 percent by China Railway. It will be a cutting-edge city infrastructure which will be rolled out across a commercial and residential site located along the Jinma River in Cheungdu City, China. The buildings and general infrastructure will be constructed by China Railway, while SK Telecom will join the project from the second half of this year to develop the technological systems. The project is scheduled for completion by 2020.
- **KT Corp. will team up with Intel Corp., Samsung Electronics Co. and other global technology firms to form in June a 320 billion won (US\$267 million) joint venture based in South Korea that will sell and lease wireless broadband network equipment.** The partnership is expected to help boost wireless services in a market that has experienced fast-growing demand for mobile data usage due to booming interest for smart phones. The telecom firm plans to launch Nexus One, a smart phone based on Android operating system, which is developed by Google Inc.'s. As an indication of the demand for smart phones, KT has sold more than 730,000 units of the model in South Korea since its debut in the local market in November.

### *Mobile/Wireless*

- **Samsung Electronics Co. and LG Electronics Inc. said their domestic handset sales surged in May from a month ago on the popularity of new models.** Samsung sold 985,000 units on the domestic market last month, up from 740,000 in April. The company estimated its May domestic market share at 50 percent. LG's domestic sales came to 412,000 units last month, compared with 325,000 a month earlier, the company said. LG said it claimed 21.3 percent of the domestic market in May. Samsung and LG are the world's second- and third-largest phone makers, trailing Finland's Nokia Corp.
- **Samsung Electronics Co. Ltd. is set to ship 1 million confirmed orders for its Galaxy S smartphone, which debuts in Europe.** Samsung mobile communications executive DJ Lee hopes Galaxy S, which packs a large, vibrant screen and speedy processor, will help it to capture some badly needed buzz. Samsung controls a little more than one-fifth of the overall global mobile phone market behind market leader Nokia, and is eager to make strides in a premium segment dominated by the likes of Apple's iPhone and RIM's Blackberry line. Samsung's share of the smartphone market is in the single digits. Galaxy S, a device which operates on Google's Android operating system, will have to appeal to both business consumers, who tilt heavily towards Blackberry devices, as well as retail customers.

### *Semiconductors*

- **Hynix Semiconductor Inc. would acquire shares of its Chinese unit from partner Numonyx for 522 billion won (US\$437 million).** The deal is to buy out Numonyx's entire stake in a Chinese production plant, majority owned by Hynix, following Micron Technology's acquisition of Numonyx. The transaction is expected to take about three months to close, pending the Chinese government's approval.
- **Hynix Semiconductor Inc. will raise its 2010 investment to 3.05 trillion won (US\$2.56 billion), joining a string of technology companies boosting spending on reviving global demand.** Hynix's board approved the new investment plan designed to better meet rising demand and expand

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its gap with second-tier chipmakers, the company said in an e-mailed statement. Its earlier annual spending was set at 2.3 trillion won (US\$1.9 billion). Hynix joins global technology companies, including Samsung Electronics Co. in lifting capital spending as higher corporate spending on the economic recovery and new product launches are expected to push up demand for key components such as memory chips.

## *Media, Gaming and Entertainment*

- **South Korea plans to make online games a key driver for their economy.** With more than nine in 10 homes enjoying broadband access, South Korea is one of the most wired countries in the world. Online game is more than child's play in South Korea. It is a national sport. Tournaments are held in lavish, high-tech stadiums, with every move and explosion broadcast nationally on dedicated TV channels. Top players are equivalent to American basketball stars in terms of pay and fame.
- **According to the Content Management Institute, the development of Korean online games, which was once been said as the world best, is declining rapidly.** A diverse genre of games based on innovative ideas is a thing of the past and the number of new online games has been plummeting the last few years. The number of online games that applied for rating dropped dramatically with the number of PC online games declining by as much as 30 percent. Game companies have been leaning towards developing current large scale games instead of creating new ones with the onset of outsourcing high technologies to other countries.

## **China**

### *Internet*

- **Chinese lifestyle information website Ganji.com announced that it has gained joint investments of US\$20 million from Nokia Growth Partners and BlueRun Ventures.** The company will enhance the applications of its lifestyle information on the mobile Internet. Paul Asel, managing partner of Nokia Growth Partners, told local media that they believe that with the extensive coverage of the 3G network in China and the launch of the next-generation smartphones, location-based information services will become a key mobile Internet application in China.
- **NetEase.com Inc. reached an email user base of more than 310 million in 2009, having seven email brands and accounting for 70 percent of the Chinese email market.** Other mainstream email service providers include Tencent Holdings Ltd., Gmail, and 139. The size of China's individual email user base hit 218 million last year, and the nation had 531 million active individual email accounts. It had an email penetration rate of 80.6 percent, and it was still one of the widest used Internet services among Internet users. China hit a cellphone mail user base of 47.30 million last year, with a 97.1 percent surge year on year and making up 21.7 percent of the nation's total email users. The number was expected to grow to 220 million by 2012, taking 65.1 percent of the total.

### *Mobile/Wireless*

- **The BlackBerry Partners Fund is expanding of its investment activities with the launch of a US\$100 million affiliate fund focused on mobile investment opportunities in China.** BlackBerry Partners Fund China is a new joint venture between China Broadband Capital Partners, a venture capital and private equity manager focused on media and communications investments in China since 2006, and BlackBerry Partners Fund. The new fund will invest exclusively in opportunities supporting the emerging mobile ecosystem in China. The new fund is expected to close on August 2010.

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- **Hurray Holdings has entered into an agreement to take over its controlling shareholder Shanda Interactive's online audio business in exchange for 415.38 million newly issued shares while selling Shanda its recorded music and wireless value-added services businesses for US\$36.94 million in cash, the two jointly announced.** The transaction is expected to be completed in the third quarter of this year. Hurray will be renamed after the online video site Ku6.com which will comprise its main business. Ku6 founder and CEO Li Shanyou will take over the newly formed company, the report said. The report named the online audio business to be bought from Shanda as Shanghai Yisheng Broadcasting Platform.
- **China's sales of smartphones reached 10.57 million units in the first three months of this year on domestic market, surging 46.0 percent over the previous quarter.** China's cell phone market rebounded vigorously, particularly the sales growth of smartphones. Telecom operators and terminal-device manufacturers rolled out abundant popular and distinctive 3G smartphone models, and adopted more targeted marketing measures. The development of mobile Internet market and increased number of cell phone applications make smartphones the top choice of users. Carriers' customization and enhanced competitiveness of smartphones offer more choices to users, and extend the market from high-end users to mid- and low-end user.

## *Telecommunications*

- **China's telecom industry turnover was up 21.7 percent from a year ago.** Revenue from major business increased 5.7 percent from the comparable period of 2009; that from mobile telecom, CNY 193.88 billion, jumping 11.5 percent; and that from fixed-line telecom was down 4.8 percent. Mobile telecom contributed 68.1 percent to the total revenue in the telecom industry in the January-April period, expanding from 64.61 percent a year earlier, due to a steep rise in the number of mobile phone users. In the four months, the number of mobile phone users in the country hiked 39.127 million, while that of fixed-line phone users decreased 6.139 million.
- **China Mobile has announced adjustments to its executive team and Li Yue, former deputy general manager of China Mobile, was promoted to general manager of the company, replacing Wang Jianzhou.** Wang will continue to be China Mobile's chairman and party secretary. China Mobile's new general manager Li, aged 51, has rich experience in the telecom industry. He took the position of deputy general manager of China Mobile from April 2000. Prior to that, he held several executive positions, including vice director for Tianjin Postal and Telecommunication Administration and general manager for China Mobile Tianjin.

## *Media, Entertainment and Gaming*

- **Shanda Interactive game subsidiary Shanda Games plans to begin large-scale closed beta testing of its licensed Dungeons and Dragons-themed 3D action MMORPG Dragon Nest on June.** The company also said it will start open beta testing after the 2010 FIFA World Cup South Africa. The tournament will end July. Shanda's release schedule for the summer, including 2D martial arts MMORPG The Age II in June and 2D MMORPG WooOL: Legend of Heroes, which will enter unlimited closed beta testing at the end of May.
- **Shanda Games Limited is on the point of bringing its newly-acquired flash game unit Mochi Media to China.** Mochi Media is set to come up with a flash game platform tailored to China's online game developers in June, said head for Mochi Media China, describing the to-be-launched web2.0 flash game development platform as part of Shanda Games' plan to replicate the business model of Mochi Media in the world's biggest Internet market this year. The Mochi Media China platform,

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regarded as an extension of the Mochi Media platform in China, will help introduce products from local flash game developers to market abroad. Based in Shanghai, Shanda Games spent US\$80 million buying Mochi Media this January, furthering its expansion in the global market.

- **Shanda Interactive Entertainment made net income of US\$33.6 million in the first quarter of 2010, a decline of 36 percent year-on-year and 38 percent quarter-on-quarter, bringing fourth quarter earnings per diluted share to US\$0.48.** Shanda had net revenues for the quarter of US\$193.1 million, down 11 percent sequentially and up 19 percent annually, of which Shanda Games contributed US\$167.5 million, a decline of 14 percent from the previous quarter but up 10 percent from the comparable period last year. Shanda's 51 percent-owned music production, artist development and wireless value-added services provider Hurray Holdings had a net loss of US\$10.4 million for the quarter, representing loss per share of US\$0.37.

## *Software*

- **CDC Software expects double-digit growth in application sales in Q2 due to strong expansion in on-premise solutions and cloud sales.** The company's application sales are comprised of license revenue and new total contract value for Software-as-a Service (SaaS). Based on preliminary financial projections, CDC Software predicted its non-GAAP earnings per share will reach US\$1.15-1.25 and total revenue, US\$220-230 million. The company predicted that the SaaS revenue would hit US\$18.9 million in 2010 and US\$48 million in 2011. CDC Software has been on a SaaS strategy including acquisitions of SaaS companies, Strategic Cloud Investment Program (SCIPP) and the impending internally developed SaaS solutions.
- **China's software industry saw its revenue rise 36.7 percent year on year.** Operating revenue was up 28.7 percent compared with that of the same period last year. Value-added services income from the information technology sector was 38.1 percent more than that of the same period a year ago. Revenue from the design and development of integrated circuit increased 63 percent year on year in the first four months of this year. China's software industry exports surged 22.4 percent year on year to US\$6.95 billion in the first four months this year.

## *Hardware*

- **Canon Inc. expects sales in China to top US\$10 billion in seven years.** The company also expects to beat its 2010 operating profit outlook of 360 billion yen (US\$3.9 billion), thanks to recovering economies and robust sales. Canon expects to see sales in China grow 10 percent and expects overall sales to grow 6.6 percent to 25.7 million units. Sales in China are expected to account for 10 percent of Canon's total sales within two years, and the company aims for top-line growth of 30 percent annually in the near term. Canon also predicted that China will surpass the U.S. to become the largest camera market as early as 2015.

## **Taiwan**

### *Hardware*

- **Gartner's latest report said Taiwan personal computer brands Acer and ASUS have risen to take the No. 1 and No. 4 shares of the Western European PC market during the first quarter of 2010.** The two Taiwan companies were the only ones among the top-five in the rankings to increase market share on the strength of consumer demand. Acer last year became the second-ranked PC maker worldwide, trailing Hewlett-Packard. ASUS had the fastest growth of any of the top-five PC brands, nearly doubling its share of the Western European market to 7.9 percent in the first quarter of

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2010 from 4.8 percent in the same period a year earlier. The battle for first position continued. Acer moved to the No. 1 position with 23.4 percent market share in the first quarter of 2010, Gartner said. Acer continued to show growth in the consumer market with all-in-one PCs supporting mobile and netbook growth.

## *Semiconductor*

- **MediaTek Inc. and its wholly owned unit MediaTek Wireless Inc. have signed an agreement to settle litigation with BT Group PLC that would release them from patent infringement claims.** BT filed a patent infringement complaint against MediaTek Wireless in the District of Massachusetts on Nov. 5, 2009.

## *Software*

- **Microsoft Corp. inaugurated a research center in Taiwan focused on cloud computing, a new technology attracting significant interest among the island's high-tech firms.** Cloud computing refers to applications or data storage hosted online by technology firms instead of being installed and maintained on users' machines. Microsoft Corp. declined to say how much it would invest in the center, or how many people would be employed there. The firm plans to spend US\$9.5 billion in research and development projects in 2010, a considerable portion of which will go to cloud-computing technologies.

## *Mobile/ Wireless*

- **HTC said that sales for May reached NT\$18.6 billion (US\$577.1 million), up 49.5 percent from the same month a year earlier.** In April it had reported sales of NT\$18.01 billion.

## **Hong Kong**

### *Hardware*

- **The Lenovo Group Ltd aims to take double-digit market share in emerging markets, such as India, Russia, Turkey and Poland in the next one or two years.** The PC brand will further cash in on the fast development in these markets. The company was seeking acquisition opportunities in emerging markets such as Russia, India, Southeast Asia and Eastern Europe. The company will expand its market share in China with its latest smartphone, LePhone, and it is confident that its LePhone will do better than the iPhone in China. Lenovo released its Android-based smartphone in April, hoping to compete with iPhone.
- **TPV Technology Ltd. said that it plans to raise wages in China by another 15-20 percent this year to retain staff following a 15 percent increase in January.** TPV's wage hike plan comes after a recent spate of suicides at a Hon Hai Precision Industry Co. plant in Shenzhen, China, which has raised concerns about working conditions in Chinese factories. Hon Hai raised wages for its production line workers in China by 30 percent. TPV, which supplies computer makers such as Dell Inc. and Sony Corp., as well as flat-screen TV makers Vizio Inc., and Philips Electronics N.V. has five manufacturing plants in China. The company has more than 20,000 workers in China, accounting for two-thirds of its global work force.

## **Singapore/Malaysia/Philippines/Indonesia/India**

### *Telecommunications*

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- **S Tel Ltd. plans to spend 7 billion rupees (US\$151 million) to roll out third generation mobile telephony services.** S Tel, a joint venture between Siva Group of India and Bahrain Telecommunications Co., or Batelco, said out of the 7 billion rupees (US\$151 million). The company won bandwidth to offer 3G mobile telephony services in Bihar & Jharkhand, Odisha and Himachal Pradesh service areas in the just concluded public bandwidth auctions.
- **India data telecom service and IT solutions provider Tulip Telecom Ltd. expects an anticipated increase in demand to push its revenue up about 20 percent in the fiscal year.** Tulip will switch its focus to low volume, high revenue markets in bigger cities rather than catering to its high volume, low revenue business of providing bandwidth in smaller towns. Tulip aims to increase its share of the enterprise data services market to 16 percent-17 percent in the next two years from the current 12 percent. Within enterprise data services, Tulip also offers managed services which monitor and maintain computers, networks and software for clients. It plans to increase the share of its revenue from this segment to 5 percent in the next two years.
- **Tata Communications Ltd. had a 6.4 percent year-on-year drop in its standalone fiscal fourth quarter net profit as revenue fell and interest expenses rose 60 percent.** Tata Communications failed to improve on last year's results despite receiving a 1.74 billion rupees (US\$37.1 million) tax write-back during the quarter, against a tax charge of 1.98 billion rupees (US\$42.2 million) a year earlier. Net profit for the three months through March fell to 4.83 billion rupees (US\$103.1 million) while net sales fell 14.2 percent.
- **BSNL has banned the Chinese telecom equipment makers Huawei and ZTE from the bidding for the GSM projects in the northern and eastern zones in India.** As Huawei and ZTE are excluded, the three participants left in the bidding are Ericsson, Nokia Siemens Networks, and Alcatel-Lucent. India's Department of Telecom rejected Indian telecom operators' applications for the purchase of Chinese telecom equipment many times and the reason was for national security.
- **The bid amount for bandwidth to offer broadband wireless internet services in India rose more than fivefold from the base price for a nationwide slot at the end of the 10th day of auctions.** The amount climbed to about 95.22 billion rupees (US\$2.02 million) from the starting price of 17.50 billion rupees (US\$373 million) for one slot covering the whole of India, the department said on its website. The government is auctioning two slots of bandwidth for broadband services in each of the country's 22 service areas. 77 rounds of bidding had been completed. Bids will start at about 95.84 billion rupees (US\$2.04 million) when the auction resumes.
- **Aditya Birla said that there are no immediate plans to sell a stake in Indian cellular operator Idea Cellular Ltd.** The Indian telecommunications industry is expected to see consolidation as ever-decreasing prices in a fiercely competitive market keep taking a toll on margins.
- **PT Telekomunikasi Indonesia expects first-half net profit and revenue to increase by up to 9 percent, supported by higher revenue from its multimedia, broadband and cellular services.** The 51.19 percent government-owned Telkom had first half net profit of 6.3 trillion rupiahs (US\$684 million). Telkom had a 13 percent increase in net profit and a 6.2 percent increase revenue. Telkom expects its cellular subscribers to reach 91 million by the end of 2010 from 86 million at present. Telkom Chief Executive Rinaldi Firmansyah reiterated Telkom's plan to acquire a majority stake in a smaller multimedia company later this year for 500 billion rupiahs (US\$54.4 million) in an effort to boost revenue.

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- **Digital Telecommunications Philippines Inc., (Digitel) has allocated US\$350 million for capital spending this year, the same level as last year's, to finance the expansion and upgrade of its mobile and broadband network.** According to James Go, Digitel president and chief executive officer, the capital outlay would be financed with internally-generated cash flows of about US\$150 million and the rest would be from banks and export credit agencies. Digitel targets to increase its cell sites to 7,000 from 6,000 by end of last year to further improve its services and coverage areas. However, Go said that next year, the company will likely spend close to US\$350 million to increase its cell sites to 9,000 to cover at least 90 percent of the country's cities and municipalities.
- **Profits of Ayala Corp. remained stagnant in the first quarter, considering that economic conditions are accelerating.** Net income from January to March topped 2.11 billion pesos (US\$45.6 million). Ayala's telecommunication and banking units lessened profits, while its property firm, water and electronic businesses boosted their first quarter operations. Ayala Land boosted net income of 1.2 billion pesos (US\$26.77 million) due to record sales and bookings from its residential project launches. All companies under Ayala's AC Capital unit Manila Water, Integrated Micro-Electronics, Inc. (IMI) and Ayala Automotive had good performances in the months of January to March.
- **According to Interactive Intelligence Inc., Malaysia's outsourcing industry can be expected to boost between 15 and 20 percent this year due to the increasing companies which are outsourcing their services to remain competitive.** For this to be possible, Malaysia needs to concentrate on its possible strong parts such as the mid-layer segment as the low-end segment is now dominated by India. Malaysia is in 3<sup>rd</sup> place in the Asia Pacific region for outsourcing due to their skilled workers, resources and infrastructure. Both the government and the industry should work together to reach their aims and attract external markets.
- **Digital storage firm Datapulse Technology said its third quarter net profit fell 57 percent on-year to S\$1.4 million (US\$991 million) for the period.** Revenue came down 6.4 percent due to weak demand for CD and DVD products. Datapulse had slower sales for data storage solutions in the first half, seeing revenue drop about 25 percent. This caused net profit to slide 40 percent to US\$7.6 million in the same nine-month period. Datapulse expects to continue to face a rocky road ahead due to uncertainty in European markets, poor demand for digital storage products, and rising raw material prices.

## United States/Canada

### *Mobile/Wireless*

- **Motorola Inc. expects its enterprise business to post annualized growth between 5 percent and 8 percent through 2012, with wireless broadband and next-generation public safety helping to drive sales in that time.** Greg Brown, CEO of Motorola Solutions, expects Motorola's Enterprise Mobility Solutions' growth business, which includes the public safety and wireless operations, to expand at least 10 percent a year over each of the next three years. The segment's core enterprise business, which includes radio systems and mobile computing, will grow at least 5 percent a year. A renewed focus on security upgrades is helping boost growth in Motorola's enterprise market. He noted that states are taking advantage of stimulus money, coordinating their local systems and upgrading border protection.
- **Social networking continues to top the U.S. mobile content charts, new research shows, with application-based access showing a phenomenal growth rate over the past 12 months.** 14.52

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million U.S. smartphone users used a social networking application in April 2010, up a sizeable 240 percent on the same month in 2009. The popularity of social networking drove the application access market as a whole. In total 69.64 million U.S. smartphone users used an application (excluding native games) in April, up 28 percent from 54.51 million a year earlier.

## *Media, Entertainment and Gaming*

- **News Corp.'s Fox network received US\$1.8 billion to US\$1.9 billion in advertising sales for shows ahead of the television season that starts in September.** The network raised ad rates by an average of 9 percent and sold about 80 percent of its inventory. Fox, the top network among viewers aged 18 to 49, a group sought by advertisers, is the first major U.S. broadcast network to complete its so-called upfront sales. The big four broadcast networks, including Fox, Walt Disney Co.'s ABC, General Electric Co.'s NBC and CBS Corp., didn't finish the sales until August last year as companies cut their marketing budgets during the recession.
- **Mediacom Communications Corp. had its founder and chief executive offered to take the company private in a bid that values the company at about US\$590 million.** Rocco B. Comisso, who owns 40 percent of the company's equity and controls about 87 percent of its voting rights through a dual-class share structure, proposed to acquire the rest of the company's shares for US\$6 apiece, a 13 percent premium to closing price. The move comes as a host of concerns about the industry's future have depressed valuations for publicly traded cable operators, leading to go-private offers for a string of them in recent years, including Cox Communications Inc. and Insight Communications Co., and two failed attempts by Cablevision Systems Inc. Elsewhere, Emmis Communications Corp. Chairman Jeffrey Smulyan offered to take the publishing-and-broadcast conglomerate private.

## *Internet*

- **Yahoo has named Raymie Stata as chief technology officer.** Stata joined the company in 2004, and has been the company's chief architect. In his new role, he will report to chief products officer Blake Irving. Stata has led major tech initiatives across Yahoo! from re-imaging our technology stack, to spearheading search and advertising development work and architecting our massive private cloud.
- **Google released Web traffic data indicating that Facebook is king when it comes to online visitors despite criticism about privacy at the social-networking service.** Facebook.com is visited monthly by 540 million people, or slightly more than 35 percent of the Internet population. Approximately 570 billion pages are viewed monthly at Facebook.com, more than eight times as many pages as are viewed each month at second-place Yahoo.com which gets 490 million visitors. The figures support word from Facebook that it hasn't been abandoned by members despite carping by politicians, consumer groups and privacy advocates that want tighter safeguards on personal information at the website.
- **Google Inc. increased its share of online video viewing in April according to comScore.** The search-engine giant's popular video site YouTube was nearly the sole source of the traffic. Google's share of videos viewed online rose to 13.09 billion, or 43.2 percent of total videos views. That compares with a 41.8 percent share in March. Since buying YouTube several years ago for US\$1.65 billion, Google has been searching for ways to make it a profitable business and add more licensed content. Hulu was again a distant second, with 958.2 million views, or a 3.2 percent share. The average Hulu viewer watched 24.7 videos, totaling 2.5 hours of video each. Hulu is a joint venture of General Electric Co.'s NBC Universal and News Corp., which owns Dow Jones & Co.

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- **Facebook Inc. said its advertisers have more than quadrupled since the start of 2009 as marketers aim to get their products before a growing global audience.** Facebook, which has been opening offices around the world to serve ad clients, doubled the number of salespeople last year from 2008. The company didn't disclose the number of advertisers or salespeople. Companies are boosting ad spending after a lull during the recession in a bid to reach consumers who spend long stretches on the Internet. Facebook, which has more than 500 million users, counts Procter & Gamble Co., Toys "R" Us Inc. and Virgin America Inc. among its customers. It's relying on ads to maintain sales growth and lay the groundwork for a possible initial public offering. Facebook sells ads that are placed on the home pages of users, where the latest comments, pictures and links from their friends are posted. The ads also show up next to profile pages, which may include a person's information such as gender or birth date.

## *Telecommunications*

- **Cisco Systems Inc. expects to hire about 3,000 workers worldwide this quarter and next. The additions will be split evenly between the two periods.** The company plans to accelerate hiring, especially in sales and new markets as Cisco aims to generate more revenue from 30 emerging businesses, including consumer products, videoconferencing systems and smart-grid network gear for electric utilities. The company added about 1,000 workers in its third quarter.
- **Cisco Systems Inc. Chief Executive John Chambers has a target of adding 20 percent more market-adjacent businesses each year as the company keeps its foot on the pedal for getting into new areas.** The company posted 27 percent revenue growth in the fiscal third quarter. As such, Chambers said he believe the company is on solid ground with its long-term revenue growth forecast of 12 percent to 17 percent. One of Cisco's initiatives is the continued move to the consumer business, which includes its Flip video cameras and television set-top boxes. Chambers just signed off on a play to expand the consumer segment to a US\$3 billion to US\$5 billion business, with the chance of it ultimately growing to US\$10 billion.
- **IT security and data backup and recovery solutions provider SonicWALL, Inc. has agreed to be acquired by an investor group led by private equity firm Thoma Bravo in a transaction valued at approximately US\$717 million.** Its shareholders will receive US\$11.50 in cash for each share of common stock they hold, representing a 28 percent premium over SonicWALL's closing price of US\$8.99. The investor group includes the Ontario Teachers' Pension Plan through its private investor department, Teachers' Private Capital. The deal will accelerate the company's organic growth strategy and allow it to pursue consolidation in the network security market.

## *Hardware*

- **Microsoft Corp. Chief Executive Steve Ballmer made an unflattering comparison between PCs and trucks, vehicles that dominated the auto market but which gave way to smaller cars as the country grew more urban.** Computers, including Apple's own Macintosh, won't go away, just as trucks didn't disappear. But he suggested that sleeker portable products such as his company's iPhone and iPad would be the equivalent of cars - offering touchscreen, website browsing, droves of applications and other features not found on PCs that run Microsoft Windows. Microsoft has sold more than 100 million licenses for Windows 7 since the software came out in October, making it the company's fastest-selling PC operating system. In contrast, Gartner estimates that Apple and other makers of tablet devices will ship only about 10 million of the gadgets this year.

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- **Apple Inc. iPad tablet sales may reach 5.5 million units worldwide this year and 13 million next year on higher-than-estimated demand.** Phil Cusick, in a research note, boosted his estimates of iPad sales by 57 percent for 2010 and by 63 percent for 2011, citing Apple's announcement that it had sold 2 million of the tablet computers since its debut on April 3. Cusick expects Apple to introduce the next version of its iPhone at the company's Worldwide Developers Conference. Customers may delay purchases ahead of the introduction.

## Europe

### *Semiconductors*

- **STMicroelectronics NV is on track to meet its revenue growth target for the second quarter.** STMicro, Europe's largest chip maker still expects second-quarter revenue to grow between 6 percent and 12 percent from the first quarter, to between US\$2.46 billion and US\$2.6 billion, according to CFO Carlo Ferro. He also said a weaker euro is an opportunity for the group to lift its operating profit as the bulk of STMicro's sales are generated in dollars while almost 50 percent of its cost base is euro-denominated. STMicro's top priorities for this year are growing sales and gaining market share, while keeping a close eye on ongoing cost reduction programs and increasing manufacturing capacity as the industry recovers.

### *Telecommunications*

- **Telefonica is selling its wholly-owned Isle of Man-based subsidiary Manx Telecom to private equity firm HgCapital and telecom management company CPS Partners for 158.8 million pounds (US\$229.5 million).** The Spanish telecoms group said the sale is part of its plans to focus its resources on larger markets, where Telefonica can take higher advantage of its scale and worldwide position and its two commercial brands, Movistar and O2. The deal is expected to close by the end of June. HgCapital has a strong track record in the telecom, media and technology sector, while CPS Partners has a strong telecoms pedigree. CPS Partners has plenty of experience with island and small country operators, having had management responsibilities for telecoms in the Channel Islands, Bermuda, Barbados, the Maldives, the Seychelles, as well as in Monaco, Bahrain and Macau.
- **Vodafone Group PLC Chief Executive Vittorio Colao's remuneration rose 18 percent in fiscal 2010, as the company more than doubled its net profit.** Colao received a base salary of 975,000 pounds (US\$1,409) for the year ended March 31, 2010 and a bonus of 1.26 million pounds (US\$1.8 million) in relation to his performance against revenue, cashflow, profit and customer service targets. He also received 292,000 pounds (US\$422,173) in cash in lieu of a pension and other benefits totaling 146,000 pounds (US\$211,086). Chairman John Bond's remuneration fell 4 percent. Colao's base salary will increase by 9.7 percent.
- **Alcatel Lucent Teletas Telekomunikasyon AS has been invited by Turkish fixed-line operator Turk Telekom AS to sign a 56.78 million euros (US\$68.2 million) deal to provide data services.** Alcatel Lucent's Turkish unit said the project will be completed in five years. The broad depreciation of the euro is said to have no significant impact on Alcatel-Lucent at the earnings level.
- **T-Systems is targeting a swing to profit this year at its U.K. business as contract wins boost revenue and margins rise due to recent cost cutting.** Sam Kingston, T-Systems' Vice President and Managing Director in the U.K., said the local unit aims for earnings before interest, taxes, depreciation and amortization of 15 million pounds (US\$21.7 million) this year, adjusted for certain special non-recurring items. T-Systems Ltd. posted an after tax loss of 23.57 million pounds (US\$34

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million) on sales of 330 million pounds (US\$477 million) in 2009. T-Systems is a key element of Deutsche Telekom's strategy to boost revenue with new services; a stark change from a couple of years ago when the unit was widely believed to be available for sale, although Deutsche Telekom never confirmed that was the case.

- **Swisscom AG supports the planned merger of rivals France Telecom's and TDC AS's Swiss units, which has been blocked by Swiss competition officials.** France Telecom and TDC are appealing an April decision by Swiss authorities to block the planned merger. Swiss competition authorities said the merger would undermine market dynamics in the country's mobile phone market and hurt consumer interests. Incumbent Swisscom is the country's largest telecom player with a 62 percent share in Switzerland's multibillion mobile telephone market. France Telecom's unit Orange and TDC's Sunrise have market shares of 17.3 percent and 20.6 percent, respectively.
- **OAO Megafon has closed the US\$745 million acquisition of long-distance operator ZAO Synterra.** Megafon's acquisition comes as competition intensifies between Russia's long-distance operators, which make a large chunk of their revenue by selling capacity wholesale to mobile operators and regional fixed-line firms. Privately held Megafon, which has 53 million subscribers across Russia, has been negotiating with Synterra's owner PromSvyazCapital for several months, but recent press reports said OAO Rostelecom also considered making an offer. Rostelecom provides the same service as Synterra - handling more than half of the long-distance call traffic in Russia and selling capacity to Megafon as well as the country's largest mobile operator OAO Mobile TeleSystems.

## South Africa/Middle East/Latin America

### *Telecommunications*

- **Iraq cabinet gives final approval for fourth mobile license and the winning company is set to have a 65 percent-stake in the venture.** The remaining 35 percent will be owned by the Iraqi communications ministry. The communications ministry will soon launch the tender for the fourth license. The cell phone market, which didn't exist in Iraq under the rule of former president Saddam Hussein, has boomed since the U.S.-led invasion in 2003 that toppled his regime, with the total customer base of mobile providers Zain Group of Kuwait, AsiaCell and Korek jumping to more than 10 million from 3 million subscribers three years ago. Zain, AsiaCell and Korek bought 15-year licenses for US\$1.25 billion each in an auction in 2007.
- **Undersea cable operator Seacom has completed a new branch of its cable linking the East African seaboard to direct to Europe.** The new link, due to be completed, will now stream traffic through an additional fibre in the Arabian sea, resulting in faster connections to Europe and providing an alternative route for communications traffic on the network. The latest link is expected to boost the cable's earnings from the soccer World Cup. Seacom is one of three undersea cables which currently provide broadband connectivity to Kenya. It is privately funded and more than three-quarters African owned.
- **Emirates Telecommunications Corp. is in talks to buy a 25 percent stake in India's Reliance Communications Ltd. for about 180 billion rupees (US\$3.8 billion).** Etisalat will also make an open offer to buy an additional 20 percent stake in the Indian telecom operator as per the country's capital market regulations. Etisalat will have to sell its stake in its existing Indian telecom joint venture with the Dynamix Balwas Group, as local regulations don't permit a company to hold more than 10 percent stake in two telecom companies operating in the same service area.

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## Other Economic Data

### Currency Exchange Rates

| Currency           | Units      | Current Rate<br>(on 6/4/10) | % Change<br>1 Week Ago | % Change<br>1 Month Ago | % Change<br>1/1/2010 | % Change<br>1/1/2009 |
|--------------------|------------|-----------------------------|------------------------|-------------------------|----------------------|----------------------|
| Japanese yen       | ¥/US\$     | 91.9100                     | 0.9%                   | -2.8%                   | -1.1%                | -0.3%                |
| Hong Kong dollar   | HK\$/ US\$ | 7.7940                      | 0.1%                   | 0.4%                    | 0.5%                 | 0.6%                 |
| Chinese renmenbi   | RMB/ US\$  | 6.8286                      | -0.03%                 | 0.1%                    | 0.04%                | 0.1%                 |
| Singapore dollar   | S\$/ US\$  | 1.4134                      | 0.4%                   | 3.2%                    | 0.6%                 | -3.3%                |
| South Korean won   | KRW/ US\$  | 1,201.5000                  | 0.6%                   | 7.4%                    | 3.3%                 | -8.7%                |
| New Taiwan dollar  | NT\$/ US\$ | 32.2500                     | 0.8%                   | 2.7%                    | 0.9%                 | -1.6%                |
| Australian dollar  | US\$/A\$   | 0.8232                      | -2.8%                  | -11.1%                  | -8.2%                | 15.9%                |
| New Zealand dollar | US\$/NZ\$  | 0.6703                      | -1.3%                  | -8.3%                   | -7.5%                | 14.6%                |
| Philippine peso    | PHP/ US\$  | 46.7100                     | 1.3%                   | 5.1%                    | 0.6%                 | -1.0%                |
| Euro               | US\$/€     | 1.1973                      | -2.5%                  | -9.2%                   | -16.4%               | -13.7%               |
| British pound      | US\$/£     | 1.4460                      | -0.1%                  | -5.1%                   | -10.5%               | -0.4%                |

### Fixed Income Prices and Yields

| Note                | Currency | Current (on 6/4/10) |       | 1 Week Ago |       | 4 Weeks Ago |       |
|---------------------|----------|---------------------|-------|------------|-------|-------------|-------|
|                     |          | Price               | Yield | Price      | Yield | Price       | Yield |
| US 30-year          | US\$     | 104.13              | 4.18% | 102.69     | 4.26% | 101.55      | 4.53% |
| Japan 30-year       | ¥        | 103.89              | 2.13% | 104.22     | 2.12% | 102.93      | 2.14% |
| Hong Kong 10-year   | HK\$     | 95.82               | 2.68% | 95.34      | 2.74% | 92.68       | 2.96% |
| China (06/16)       | US\$     | 109.38              | 3.05% | 109.38     | 3.05% | 109.38      | 3.05% |
| Singapore 10-year   | S\$      | 104.29              | 2.78% | 103.60     | 2.86% | 98.64       | 2.67% |
| South Korea 20-year | KRW      | 10,635.34           | 5.27% | 10,637.21  | 5.26% | 10,735.48   | 5.08% |
| Australia 15-year   | A\$      | 102.41              | 5.45% | 102.42     | 5.45% | 102.42      | 5.45% |
| New Zealand (12/17) | NZ\$     | 102.99              | 5.71% | 103.32     | 5.66% | 100.24      | 5.94% |
| Philippines 20-year | PHP      | 98.84               | 9.07% | 98.50      | 9.11% | 103.16      | 9.14% |
| India 30-year       | INR      | 82.38               | 8.66% | 82.30      | 8.66% | 81.59       | 8.56% |
| UK 30-year          | £        | 99.38               | 4.34% | 99.51      | 4.33% | 96.07       | 4.49% |
| Germany 30-year     | €        | 127.35              | 3.31% | 125.45     | 3.38% | 118.05      | 3.73% |

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